

Executive Committee

Monday, 8.00 – 8.45 am (closed)

Kiva A

8.45 – 9.30 am (open)

Kiva B-C

[Executive Committee Meeting \(closed\) Agenda](#)
[Executive Director's Evaluation](#)
[\(Confidential – for Commissioners only\)](#)

[Executive Committee Meeting \(open\) Agenda](#)

[Executive Committee Minutes – November 2001](#)

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[Discussion Item – Minimum Reserve Level](#)

Monday, May 20, 2002

8.00 - 8.45 am

Kiva A

Executive Committee Meeting (Closed – members only)

Breakfast refreshments available at 7.30 am

Committee Members

Tad Perry (SD), chair
Chuck Ruch (ID), vice chair
Emily Stonington (MT), immediate
past chair

Diane Barrans (AK)
Linda Blessing (AZ)
Warren Fox (CA)
Bill Kuepper (CO)
Clyde Kodani (HI)
Gary Stivers (ID)
Dick Crofts (MT)
Ray Rawson (NV)
Bruce Hamlett (NM)
David Nething (ND)
Diane Vines (OR)
Bob Burns (SD)
David Gladwell (UT)
Don Carlson (WA)
Jenne Lee Twiford (WY)

Agenda

Review and approval of executive director's self-evaluation for FY 2002 and objectives for FY 2003 and beyond, and approval of a recommendation for executive director's salary increase for FY 2003 (confidential copies provided only to WICHE commissioners)

Other*

*Please note: Article III of Bylaws states:

Section 7. Executive Sessions

Executive sessions of the commission may be held at the discretion of the chairman or at the request of any three commissioners present and voting. The executive director shall be present at all executive sessions. The chairman, with the approval of a majority of the commissioners present and voting, may invite other individuals to attend.

Section 8. Special Executive Sessions

Special executive sessions, limited to the members of the commission, shall be held only to consider the appointment, salary, or tenure of the executive director.

EXECUTIVE DIRECTOR'S PERFORMANCE OBJECTIVES AND SELF-EVALUATION

This document provides three items: My current performance objectives as adopted by the commission, a self-assessment of my performance as your executive director during this past year, and a proposed set of performance objectives for this coming year based on what has happened this past year and what has been incorporated in the draft WICHE Workplan for 2002-2003. In black I have presented, first, the 2001-2002 performance objectives and, second, the 2002-2003 proposed performance objectives. Sandwiched between, I have provided in blue italics an evaluation of performance with respect to each of the objectives we established for me at last May's meeting. Overall, I believe my performance for this past year is what Garrison Keiler would call "pretty good," which is to suggest that we accomplished much but could have done better. And while I often get credit for what is accomplished, the progress that WICHE has made this past year has been due principally to the exceptional efforts and energy of a truly wonderful staff. When I am out and about I often receive accolades and credit for a "new and positive presence" of WICHE, both in the West and nationally. To the extent that we have moved forward, it is as a result of long hours and exceptionally competent work by a dedicated staff to whom both you and I owe much.

Administering the WICHE Organization:

- Objectives for "maintaining" the organization
 - Internal management
 1. Maintain a balanced budget for fiscal year 2001 and beyond. Also work with commission to establish targets for staff compensation, compared to comparable agencies within the West. *[Accomplished. The overall operating budget for WICHE, excluding PSEP support fees, rose from \$4.2 million in FY 2001 to \$5.8 million in FY 2002, a 37 percent increase; \$326,000 (21 percent) of this increase came from increases in general fund support, about half of which came from the increase in membership dues. The remaining \$1.3 million has come from increases in externally funded contracts and grants.]* For 2002-2003, retain the same objective.
 2. Build a staff of exceptional ability and representative diversity. *[Well on the way to being accomplished, yet this past year has presented two unique challenges for us. First, with Dewayne Matthew's resignation to join ECS, I decided to use this as an opportunity to reduce the number of unit directors, consolidate some units, and free up some funds for more junior level staffing. In general, I believe this has been a wise decision, but there is no doubt that the work load increase that this has meant for both Cheryl Blanco and Jere Mock has made their jobs more demanding and difficult. The second challenge we have faced is that the increase in externally funded grant activities has increased the level of staffing within the agency, yet we have not in all cases been able to find staff that fit well our new staffing needs, which has also increased the workload for our senior level staff. Dennis Mohatt, who joined us last July as director of the Mental Health unit, has proven to be a great addition to our management team. While we have had substantial changes and*

additions to staff overall in the organization, we have maintained a diverse and exceptional crew, over all.] For 2002-2003, retain the same objective.

3. Improve the morale of WICHE staff to achieve the highest possible level of productivity. *[Staff morale currently seems to be in pretty good shape. The move to new office space has, in general, proved to be positive for most staff. The aesthetic improvement has clearly had a positive effect, with staff being comfortable and proud to invite their colleagues to meetings at WICHE. An active staff council and staff advisory committee have helped maintain a friendly, cohesive, highly functioning team feeling for the WICHE family. Two issues, however, have begun to surface that will warrant particular attention during this coming year. First, the substantial increase in the cost of health insurance and the seemingly perennial revisiting of which health plan we will participate in is taking a toll. For many staff, the increase in costs of health insurance will exceed what they will receive in increased salary. And the necessity to revisit annually who our health insurance provider will be causes of both angst and dissension because passions run high about issues around personal health. Second, as a number of our soft-funded projects begin to terminate over the next year, staff working on those projects will in many cases be terminated. While all of our staff understand the nature of their employment, we have a tendency to become quite attached to each other, so terminations, understood or not, take a toll on staff morale. This circumstance will not be much different than what we experienced in 2000, when budget difficulties required a substantial downsizing of our staff.]* For 2002-2003, retain the same objective.

- Commission maintenance

1. Present to the commission at the May meeting an annual workplan that reflects the mission and priorities of WICHE, as established by the commission. *[On target to being accomplished. Coincident with presenting this self-evaluation and my projected performance objectives for 2002-2003, I am submitting to the commission for its consideration a proposed annual workplan that reflects the mission, priorities, and realistic possibilities for WICHE for the coming year. This proposed workplan is essentially an extension of the plan under which we have been operating for the past year, with incremental changes. We have retained this basic plan because our discussions with the commission, particularly with the Executive Committee and officers, have indicated that the current workplan appropriately reflects the issues, needs, and activities that WICHE should be addressing.]* For 2002-2003, retain the same objective.

- State relations

1. Participate, either in official state visits or WICHE relevant events, in activities in at least one half of the WICHE states. All state visits should include at least one public speaking or public engagement session. *[Accomplished, in some fashion. During this past year I have visited 10 WICHE states. I visited nine in a capacity that focused explicitly on state business, six of which included a public speaking or public engagement session. I visited four for purposes not related to state business, generally to participate in a national or regional meeting or to present to a national or regional group. I believe that I missed unique opportunities to serve two states (Hawaii, which has a new president I have not yet met, and Idaho, which I visited twice but for national meetings and not to assist the state.)]* For 2002-2003, retain this objective, and focus on states engaged in WICHE's 50th anniversary activities.
2. Establish a long-term strategy for the role of WICHE's legislative advisors and secure funding

to maintain that activity. *[In process. Through action of the commission, we have reestablished the Legislative Advisory Committee and have solicited nominations of membership from the commissioners in each state. Through our strengthened relationship with the Council of State Governments – West (CSG-West), we will dovetail the first meeting of this newly rejuvenated LAC with the July 2002 CSG-West annual meeting in Lake Tahoe. Funding for the LAC will come from a small contribution from the general fund and modest support from the Ford Foundation grant to support “legislative engagement.” We have also forged a stronger association with the National Conference of State Legislatures (NCSL); we are collaborating on separate grants from the Lumina Foundation, both focusing on funding higher education, and will be participating in NCSL’s July 2002 annual meeting, as well.]* For 2002-2003, retain this objective.

- Objectives for “development and innovation” within the organization
- Internal management
 1. Secure new office space for WICHE that provides as good or better working environs at a price that fits within our balanced budget parameters. For 2001-2002, develop a strategy for planning and financing a land/building acquisition to coincide with the termination of our new lease and to be as consistent as possible with the vision of the state-of-the-art working and learning community, which was reflected in this past years performance objective. *[Partially accomplished. We secured a 39-month lease, within our projected cost parameters, in new, convenient, aesthetically pleasing, and well-designed space. This lease will allow us time to continue developing a plan to achieve our ultimate goal of securing land and building or buying a facility through which WICHE can accumulate equity over time. To prepare for this next step, our timetable is to determine the specific strategy – whether to buy, build, or lease – by the end of calendar year 2002; to secure funding and land acquisition, if that is the plan, by June 30, 2003; and build, retrofit, or prepare for a move to be accomplished by September 2004. In addition to the tasks of securing a facility and financing for this facility, this planning also needs to incorporate how we will finance the moving costs associated with such a transition and associated acquisition of office furniture and related items. The commission has established the officers as a subcommittee to assist and oversee the staffs efforts in future space planning.]* For 2002-2003, retain portion of objective calling for development of a strategy for planning and financing a new facility upon termination of the current lease.
 2. Seek resources to configure the new office space as a regional, state-of-the-art working and learning center. *[Not accomplished. As indicated above, I am very disappointed that I have not been able to progress this concept of a “state-of-the-art working and learning center.” While I remain confident that over the next three years we will be able to secure excellent working space, I am less optimistic that we will be able to move forward with the idea of incorporating a viable learning center, as well. I will continue to pursue this dream, but it is proving to be more difficult to bring to reality than I had expected, and a number of efforts to secure grant funding for this project over the past year have been rebuffed.]* For 2002-2003, retain this objective consistent with the preceding objective.
 3. Organize WICHE staff to operate in a more team-oriented work environment, with greater collegiality and less unnecessary redundancy. *[We’re making progress. The modest reorganization and clarification of unit responsibilities pursued through consolidation after Dwayne Matthews left have helped reduce some of the unnecessary redundancy between units and individuals. There remains much work to do, however, to establish a strong team-oriented approach. Despite substantial internal rhetoric and mythology to the contrary, such “working together” has not been the dominant ethic within the organization, and it will take*

some time and concerted effort to make the desired change.] For 2002-2003, retain this objective.

- Commission development and innovation

1. Maintain the orientation process for new commissioners created last year. *[Accomplished. New commissioners have indicated that this orientation has proven quite valuable in coming up to speed rapidly as commissioners. We have even attracted some current commissioners who felt they could benefit from the orientation. Providing this orientation in association with the semi-annual meetings has proven useful in two ways. First, it is time efficient for the participants. Second, it keeps the number of new commissioners involved relatively small, which adds to the success of the sessions.]* For 2002-2003, drop this objective. It is now standard operating procedure and need not be included as an explicit objective.
2. For 2001-2002, restate “to develop” rather than “to seek resources” collaboration with the Association of Governing Boards regarding strategies for better informing and engaging the commission and governing board members throughout the West in better understanding emerging higher education issues. *[Not accomplished. While our relationship with AGB remains strong, we have not been able to develop an effort focused on governing board members. One activity planned with AGB to focus on informing legislators about issues in the West fell victim to the “cancellations” that followed the tragic events of September 11. Efforts focusing on governing boards were not pursued for lack of funding.]* For 2002-2003, retain this objective.
3. Work with the Executive Committee to maintain the restructuring of the commission’s committee structure, which was achieved in 2001-2002. *[Accomplished. The new committee structure is functioning effectively. Adjustments have been made to the semi-annual meetings to assure that Executive Committee meetings do not overlap with meetings of the other committees.]* For 2002-2003, drop this objective. It is now standard operating procedure, and need not be included as an explicit objective.
4. Work with the governors, as appointment opportunities develop, to increase the diversity of the commission’s membership. *[Not accomplished. While the appointments to the commission this past year have been exceptional individuals, they have not enhanced the diversity of the commission. Today’s commission has 10 women, one fewer than a year ago. No additional commissioners of color have been added during the past year.]* For 2002-2003, retain this objective.

- State relations development and innovation

1. Expand our legislative relations activity to include more direct involvement with legislative and executive staff. *[Partially accomplished. As noted in my comments earlier on legislative engagement, we have been quite successful in expanding our direct efforts with legislators through CSG-West and NCSL. We have not, however, enhanced our relationships with executive staff. While we have worked closely with the Western and National Governors’ Associations, we have not found a venue for working with governors’ staff.]* For 2002-2003, retain this objective.
2. Expand partnership relationships, where appropriate, with other organizations, such as NCHEMS, CSG-West, NCSL, WGA, SREB, NEBHE, MHEC, ECS, SHEEO, AGB, the College Board, the Center for the New West, the Center for the Rocky Mountain West, the Center for the American West, EduCause, etc. *[Accomplished, but never really finished business. We have or have planned cosponsored events with CSG-West, NCSL, WGA, ECS, SHEEO, and*

the College Board. We have collaborated with NCHEMS closely on a number of projects. We have begun a collaborative program with SREB, NEBHE, and MHEC, although one unfortunate development with our regional colleagues has been our inability to find resources to sustain WICHE's continued participation in the Doctoral Scholars program. Staff and I believe that collaborating in this fashion results in a win-win environment. We are the lead agency but cosponsors with SHEEO and ACE on our Lumina Foundation Grant to examine higher education financing issues. In addition, I serve on ACE's policy advisory committee and international education commission, the executive board of the National Postsecondary Education Council, SHEEO's teacher mobility task force, NCPPHE's advisory board, CONAHEC's executive committee, and NCHEMS's advisory board on national databases and information systems; I also participate in the Pathways to College collaborative. During this past year I was asked to make presentations at SHEEO's and ECS's annual meetings.] For 2002-2003, retain this objective with special attention to enhancing relationships with state legislative and executive branch office holders and staff.

Providing Program Services to the Western States:

- Objectives for “maintaining” the organization
 - Student Exchange Programs
 - Accomplish those aspects of the commission-adopted workplan that fit within this objective, including particular focus on:
 1. Stemming the decline in PSEP participation by focusing program more on states' individual needs and interests. *[In process. Participation in PSEP continues to wane, despite Alaska's return to program participation, but a special project, staffed by Jere Mock and lead by Commissioner Ruch, has been addressing ways in which the PSEP program can be sustained as a vital and viable program for the future.]* For 2002-2003, retain this objective.
 2. Managing growth of WUE within existing staff and financial resources, and examining ways in which WICHE can be more proactive in facilitating exchange in areas of projected workforce needs and in areas of imbalance with respect to issues of supply and demand of educational opportunities. *[In process. Despite continued growth in WUE and an increase in the number of programs managed through the WRGP, we have continued to provide strong customer service with a modest commitment of staff. Through the special project described in (1) above we are examining ways in which the WUE and WRGP programs can be enhanced to even better serve the students and institutions that participate. This will become an increasingly important issue as enrollment strains test the efficacy of the current models for these programs.]* For 2002-2003, retain this objective.
- Objectives for “development and innovation” of programs to serve the states
 1. Accomplish those aspects of the commission-adopted workplan that fit within this objective. *[Partially accomplished, but some areas where progress has not been sufficient. The most serious area of concern is with the Doctoral Scholars Program, which is part of the national Compact for Faculty Diversity. It appears at this time that future funding for this program is unlikely and that we will be winding down WICHE's involvement in this project.]* For 2002-2003, retain this objective.

2. Begin a formal evaluation of the Student Exchange Programs. While I believe that I should continue to seek funding for this initiative and have embedded such an evaluation in the student mobility study that is proposed for the workplan, I believe it is our responsibility to evaluate our programs periodically, and we should pursue this effort within existing WICHE operating budget resources if I am unable to secure outside funding. *[Not accomplished. Because we have not been able to secure funding to pursue the student mobility study, we have not yet begun the formal evaluation of the SEP programs.]* For 2002-2003, retain this objective.

3. Implement in stellar fashion the new initiatives for which we secure funding, and possibly develop an additional multistate collaborative program. *[In process. We have implemented the Advanced Placement project and have even received an increase in funding but have had difficulty getting a number of the nine partner states to develop and deliver all the promised services. Thus, this project is not currently expending all of its funding, which could jeopardize further funding and support for the program in future years. We have finally secured initial funding for the interregional telecommunications alliance and have begun implementing this program. We were able to secure a FIPSE planning grant, in collaboration with CONAHEC, to develop the concept for an international student exchange bank, which is in development. We aggressively pursued but have yet to receive financial support for a virtual (online) collaborative effort known as the Northwest Educational Outreach Network (NEON), which WICHE would manage for the Northwest Academic Forum (NWAFF); our efforts continue on this front.]* For 2002-2003, retain this objective.

Providing Policy, Research, and Technical Assistance to the Western States:

- Objectives for “maintaining” policy, research, and technical assistance services
 1. Accomplish those aspects of the commission-adopted workplan that fit within this objective. *[On target to accomplish this objective.]* For 2002-2003, retain this objective.

 2. Continue WICHE’s exceptional work as the regional source for higher education information and policy analysis. *[On target to accomplish this objective.]* For 2002-2003, retain this objective.

 3. Continue the Western Policy Exchange as an initiative to strengthen our policy agenda. *[Accomplished. We conducted a regional forum on accountability in November 2001. Unfortunately the aftermath of the September 11 tragedy substantially reduced participation in this forum, but it was well received by those who did participate.]* For 2002-2003, retain this objective.

 4. Maintain the strength and vitality of the Western Cooperative for Educational Telecommunications (WCET), the Mental Health Program, and CONAHEC, and do so without general fund support. *[On target to accomplish this objective. WCET remains an extremely vital and vibrant part of WICHE, due to Sally Johnstone’s leadership. With changes in the by-laws CONAHEC has become entirely independent of WICHE, though we continue to provide contract services to the organization. Indeed, the amount of service we provide has increased substantially; it’s just that we do so now as a vendor rather than as a partner. While the future viability of the Mental Health Program remains tenuous, the selection of Dennis Mohatt as the new director to replace Courtenay Harding bodes well for the unit. Dennis has brought new energy, dynamism, and creative concepts to this position, and has been extremely well received by the public mental health community in the West.]* For 2002-2003, retain this objective.

- Objectives for “development and innovation” of policy, research, and technical assistance services
 1. Accomplish those aspects of the commission-adopted workplan that fit within this objective, including securing external financial support for at least two major policy, research, or technical assistance projects consistent with WICHE’s mission and priorities. *[On target to accomplish this objective. We have received funding for our participation in the Pathways to College program and for our project on financing higher education. We have also received funding to sustain our legislative engagement activities around the general themes of accountability and workforce development. We have not, however, been able to secure funds yet for the mobility project, for the replication of our work on high-school graduates, for the specific project on IT workforce needs, or for our project on sustaining future state revenues to support essential public services.]* For 2002-2003, retain this objective.
 2. Develop technical assistance capacity to support specific state and interstate needs for expertise on policy issues. *[In process. Staff and I have provided technical assistance in the policy arena to a number of our members during the past year, including Arizona, California, Colorado, Nevada, New Mexico, and Oregon. Some of these efforts have been provided within the rubric of either general fund support or one our existing foundation grants (i.e., Ford foundation grant on legislative engagement), though a number have been supported in part or in full by the participating states.]* For 2002-2003, retain this objective.

Last year during the Executive Committee’s discussion of my performance, there was discussion that a self-evaluation such as I have provided above reflects quite well my activities but does not capture well the “leadership qualities” that are essential to being an effective executive director. I agree. Yet, it is difficult to capture in writing one’s own contribution to leadership. Not only that – it’s tough to be intellectually honest in doing so. Should one be humble, bold, honest to a fault, whatever? So I will leave it to you who have watched me over the past year to help me discern where my leadership has been an asset to the organization and where it might have been a detriment. I look forward to that discussion.

David Longanecker

Monday, May 20, 2002

8.45 - 9.30 am

Kiva B-C

Executive Committee (Open)

Committee Members

Tad Perry (SD), chair
Chuck Ruch (ID), vice chair
Emily Stonington (MT), immediate
past chair

Diane Barrans (AK)
Linda Blessing (AZ)
Warren Fox (CA)
Bill Kuepper (CO)
Clyde Kodani (HI)
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Agenda



Executive Committee Minutes of November 12, 2001



Executive Committee Minutes of January 9, 2002



Executive Committee Minutes of February 19, 2002



Executive Committee Minutes of March 28, 2002



Fiscal Year 2003 Salary and Benefits Recommendations



Fiscal Year 2003 Budget and Review of FY 2002 Budget



Dues for FY 2004 and 2005

Discussion Item: Minimum Reserve Level

Discussion Item: May 2002 Meeting Schedule Review

Other

Minutes

Executive Committee

November 12, 2001

Committee Members Present

Emily Stonington, Chair (MT)
Tad Perry, Vice Chair (SD)
Everett Frost, Immediate Past Chair (NM)

Tony Rechlitz (CO)
Doris Ching (HI)
Chuck Ruch (ID)
Richard Crofts (MT)
Carl Shaff (NV)
David Nething (ND)
Diane Vines (OR)
Robert Burns (SD)
Don Carlson (WA)
Jenne Lee Twiford (WY)

Other Commissioners Present

John Barrasso (WY)
William Byers (CO)
Johnny Ellis (AK)
Marc Gaspard (WA)
Pauline Gubbels (NM)
Larry Isaak (ND)
Frank Kerins (MT)
Clyde Kodani (HI)
William Kuepper (CO)
Richard Kunkel (ND)
E. George Mantes (UT)
Herbert Medina (CA)
Raymond Ono (HI)
George Richardson (OR)

Guests Present

Toni Larson
Maryann Mantes
Kelly Rap
Lee White

Staff Present

Heidi Alina
Sharon Bailey
Suzanne Benally
Cheryl Blanco
Caroline Hilck
Sandy Jackson
Sally Johnstone
Ying Ling
David Longanecker
Sean Manley-Casimir
Chuck McGee
Michelle Médal
Craig Milburn
Jere Mock
Dennis Mohatt
Marv Myers
Margo Stephenson
Diana Vari
Marla Williams
Carol Wimert

Chair Stonington called the meeting of the Executive Committee to order and announced there would be an addition to the agenda, "WICHE Partnerships." She reminded commissioners that elections for new Executive Committee members would take place during the second Committee of the Whole session, and states should be caucusing about who would serve in that role during 2002.

Action Item

Approval of the Executive Committee Minutes

COMMISSIONERS FROST/SHAFF (M/S) APPROVAL OF THE EXECUTIVE COMMITTEE MINUTES OF THE MAY 21, 2001, MEETING, AND THE CONFERENCE CALL MINUTES OF AUGUST 28, 2001, AND SEPTEMBER 27, 2001. The motion passed unanimously.

Action Item

Audit Report for FY 2001

David Longanecker said the Audit Report for FY 2001 was distributed to all commissioners in advance of this meeting. He said the auditors' report contained no material findings, and he called on Marv Myers to review the document.

Myers reported the action item for the audit report for 2001 was attached to the document mailed prior to this meeting and is not contained in the agenda book. He said the audit is presented in two parts: 1) the financial audit; and 2) the A133 audit that is required when federal dollars received for contracts and grants exceed \$300,000. In previous years, WICHE has been below this amount, and the additional audit was not required. He said due to WICHE's success in obtaining federal support, WICHE will be above that threshold for the next several years. He said since this is WICHE's first A133 audit in many years, the auditors referenced four different problems. He said all four problem items have been or are in the process of being resolved. Rather than going into additional detail, he asked if commissioners had any questions. Hearing no questions, Chair Stonington asked for a motion to approve.

COMMISSIONERS BURNS/VINES (M/S) APPROVAL OF THE FY 2001 AUDIT REPORT. The motion passed unanimously.

Action Item

Process for Building or Purchasing the WICHE Working and Learning Center

David Longanecker reminded the committee that prior to moving into the newly leased office space, consideration had been given to purchasing property and building office space for WICHE on land owned by the University of Colorado. This venture would have many benefits, including the opportunity of sharing office space with other higher education organizations. This notion included the addition of a small, state-of-the-art learning center that would enable both real and virtual conferencing. Time constraints prevented the further pursuit of this idea, and WICHE's offices moved to a new, leased (39 months) facility. The new office space was leased with the understanding that WICHE would continue to explore the purchase of property to build a facility or purchase an existing facility that would include a "learning center."

Longanecker said he has continued to discuss the financing end of this venture with Lee White, a former WICHE commissioner from Colorado and who works with George K. Baum and Company, a financial advising company. White and his colleagues have helped WICHE consider how such a venture might be funded, and he has joined the meeting today to share finance ideas with the commission. Longanecker said that currently financing is the focus of his effort regarding future office facilities, and he has done little about other specifics that will be necessary at a later date.

Longanecker reminded the commissioners that previous discussions had been primarily with the University of Colorado and he hopes to continue those discussions. He said future discussions about office facilities would include a number of other agencies. He said he still anticipates that NCHEMS (the National Center for Higher Education Management Systems) will be a part of future office facility with WICHE.

Longanecker asked Lee White to describe funding options for future office facilities for WICHE. White said he would describe options that might be possible if WICHE were to pursue building or purchasing an office facility. He said it is not unusual for organizations such as WICHE to want to secure permanent facilities. He distributed information concerning the National Conference of State Legislatures (NCSL) recent facility purchase. He said NCSL is a multistate organization, structured much like WICHE. White said his firm helped NCSL secure property and build a 55,000 square foot facility in Denver. Much like

WICHE, their objective was to get out of a leasing situation and into an ownership position. He said they are now using funds, which had been spent on leasing a downtown high rise, to pay down the debt service on their own facility. He said 20-year bonds receiving an "A" category rating from Standard and Poors were yielding interest in the mid-5 percent range. He added that actual yields are a bit lower today. He said the debt is an obligation of NCSL and not their states' governments. He described all of the items included in the debt (e.g., land purchase, contracting for building, etc.) and said in short it was a construction loan and a permanent loan all packaged into one loan. He said if WICHE is credit worthy and wants to proceed to acquire a building as opposed to continuing to pay rent, the NCSL model is one that could be used for WICHE. He emphasized that affordability depends on credit worthiness and bond rating. He briefly compared WICHE's financial position to that of NCSL and said WICHE, while different from NCSL in some ways, would have a good chance to obtain favorable financing. He said there are sources available for capitol projects such as this, and the key is to fashion the financing to allow a redirection of lease funds to make the venture affordable. In closing, he said rates are good today and WICHE would qualify for financing, but there are a number of questions to be answered (e.g., credit worthiness, project costs, location, other tenants, etc.), including whether this would be a good business decision for the organization.

Chair Stonington thanked Lee White, and said the question before the Executive Committee today is whether to authorize WICHE to pursue funding for this project. Longanecker said the agenda book contains background and a description of the action requested. He said the action requests that the officers be given the authority to serve as an "Office Space Planning Subcommittee;" a subcommittee of the Executive Committee. The subcommittee would be the principle group of commissioners working with staff and others to proceed to explore the financing of this concept.

Executive Committee questions included:

- Estimate of total project cost? Current costs are projected to be \$9 million. This figure includes inflation factors over the next three years.
- Estimate of up-front costs? The many fees associated with such a project depend on a number of things, but typically the fees are about 2 percent of the total project, and underwriting fees are typically one-half of that. If the project is not rated, financing charges are higher; investment-grade financing is less. All of the fees are paid out of the proceeds of the bond issue, and George K. Baum and Company provides its services on a success-contingent basis; that is, if the plan fails, they don't get paid.
- Is the plan for WICHE to own the building and lease space to other organizations? The current plan is to own the building in partnership with others, but with current partners under consideration, WICHE would occupy most of the building. If available, there is the potential that WICHE would lease some space to other nonprofit organizations.
- What is the level of interest of the other partners? NCHEMS is a solid partner, but the others' interest is unknown or undeclared.
- Do other partners or leases need to be in place before the bond can be set? It would be a very good idea in order to achieve the lowest possible rate.
- How would multiple-ownership affect credit worthiness, compared with single ownership? The other organizations mentioned are not as credit worthy as WICHE. To keep the rate low, one possibility would be for WICHE to purchase the building and lease it to the others, thereby having WICHE responsible for the entire bond. Another possibility would be to establish the building as a condominium—still, the other organizations' credit worthiness, as tenants, would be considered. WICHE would be limited to leasing to other 501(c)3, nonprofit tenants.

- Would representatives of other groups serve on this subcommittee? Today's action is seeking a commission-only group. At a later date, as partnerships develop a committee involving all partners would be established.
- Is it possible that partners whose credit worthiness was rated lower than WICHE's would impact the overall rate WICHE could receive? All partners will impact the overall bond rating. There could be a situation where WICHE may want to sever a potential partnership in order to receive a better overall rating. Related to obtaining a better rating, Longanecker said he is pursuing foundation assistance to securitize the loan. Having the backing or guarantee of a financially secure establishment could ratchet WICHE's credit rating up to investment grade and save WICHE a considerable sum over the term of the loan. This would also benefit the foundation by making a considerable contribution to WICHE without reducing any direct grant-making funds. However, this is a new idea and most foundations are hesitant to be the first to step into uncharted territory.
- Did the recent cost analysis include increased personnel and other factors related to owning a facility? Yes, these factors are included in the cost analysis.
- What are the benefits of WICHE owning its own office facility? WICHE would build equity over time and it would benefit by not being as vulnerable to inflation and market-driven lease rates. There would be some control over an expense that amounts to almost 20 percent of WICHE's overall expenditures. Recently, WICHE has been very vulnerable to increases in lease rates. It is not much different than owning your own home. Some people do not like the idea of purchasing a facility because you are locked in; WICHE would not be locked in because the facility could be sold if it became necessary to sell it.
- Are the bonds callable? For example, if WICHE outgrows the building and needs to move into a larger facility, what would happen? The standard in the municipal bond capitol markets is 20- to 30-year fixed-rate financing. The bond is normally given 10 years of call protection. You are able to shorten that period of call protection, but you'd have to pay the investors a slightly higher coupon as a reimbursement for a diminished call-protection period. The federal government and the IRS rules permit an advanced refunding of bonds only once before the end of the call date. For example, in year five, if you wanted to sell the building and buy another building, you can do that and set aside the money to pay off the bonds to the call date. Then, the investors would get that 10-year call date protection—normally, this is how it would work. WICHE should go into this transaction with the expectation that it would stay in the facility for a while. But there is the flexibility after you pay off the bonds at par (after 10 years).
- What are current interest rates? Today's bond-rating, and corresponding interest rates are: A-ratings—low 5.0 to 5.25 percent range; BBB-ratings—6.0 percent; and noninvestment grade bonds—7.0 to 7.50 percent.

Commissioner Ching said she and her colleagues feel comfortable about pursuing the plan to explore WICHE's future offices and support the establishment of the subcommittee. Chair Stonington said she wants the commission to be comfortable knowing the subcommittee, consisting of WICHE's officers, will be reporting to the Executive Committee. Commissioner Frost said another benefit of building a facility is that WICHE would be able to design it and include the learning center that would not only serve WICHE but also serve other higher education organizations in the region.

COMMISSIONERS SHAFF/RECHLITZ (M/S) APPROVAL THAT THE COMMISSION DIRECTS THE OFFICERS TO SERVE AS A TEMPORARY "OFFICE SPACE PLANNING SUBCOMMITTEE" OF THE EXECUTIVE COMMITTEE. THE SUBCOMMITTEE WOULD HAVE THE RESPONSIBILITY TO CONFER WITH STAFF AND WICHE'S FINANCIAL ADVISORS ON ALL OPTIONS BEING CONSIDERED, AND WOULD REGULARLY REPORT TO THE EXECUTIVE COMMITTEE AND THE COMMISSION. THIS

SUBCOMMITTEE WOULD HAVE THE AUTHORITY TO APPROVE ACTIONS BY STAFF TO MOVE FORWARD ON ALL ASPECTS OF THE PROSPECTIVE PARTNERSHIP AND FINANCING, WITH THE EXCEPTION THAT FINAL APPROVAL OF THE PROJECT WOULD REQUIRE ACTION BY THE COMMITTEE OF THE WHOLE. The motion passed unanimously.

Information Item Mental Health Program Update

David Longanecker introduced WICHE's new director (as of July 1, 2001) of the Mental Health Program, Dennis Mohatt. Mohatt described his educational and professional background and said he is excited to join WICHE and provide leadership to the Mental Health Program. He said a written report about his experience and an update about the Mental Health Program were included in the agenda book.

Information Item WICHE Partnerships

David Longanecker said over the last couple of years a number of WICHE's activities and grant proposals have been in cooperation with other organizations. In turn, other organizations have sought partnership with WICHE in their projects. Some of those are:

1. Frank Newman, former president of the Education Commission of the States (ECS), is associated with the "Futures Project" at Brown University. The Futures Project is working on issues around the impact of market forces on higher education (both positive and negative). He has expressed an interest in working with WICHE to conduct research and focus groups on the attitudes of legislators and higher education leaders.
2. Bob Zemsky, the director of the University of Pennsylvania's Institute for Research on Higher Education and Research and Analysis, is working on strengthening the management approach to leadership in higher education. This project would provide stronger services to higher education leaders and would facilitate the exchange of information and the development networks for presidents of institutions.
3. The Institution for Higher Education Policy and the Academy for Educational Development are initiating an effort to reach out and provide more technical assistance around the world. This effort would assist people from other countries in visiting the U.S. and provide learning about the U.S. system of higher education. They are interested in WICHE's partnership because of its strong regional, institutional focus.

Longanecker said he believes there may be some possibilities in exploring these ideas, but some areas are not as central to WICHE's mission as others. He said WICHE needs to be cautious about potential partnerships, and he just wanted to mention these partnership overtures.

Discussion Item Commission Meeting Agenda

This item was not addressed during the Executive Committee meeting.

Discussion Item Other Business and Current WICHE Issues

This item was not addressed during the Executive Committee meeting.

Minutes

Executive Committee

January 9, 2002

Committee members attending

Tad Perry (SD), chair
Chuck Ruch (ID), vice chair

Linda Blessing (AZ)
Warren Fox (CA)
Bill Kuepper (CO)
Doris Ching (HI)
Gary Stivers (ID)
Dick Crofts (MT)
Ray Rawson (NV)
Bruce Hamlett (NM)
Diane Vines (OR)
Bob Burns (SD)
E. George Mantes for
David Gladwell (UT)
Don Carlson (WA)
Jenne Lee Twiford (WY)

Committee members unable to attend

Emily Stonington (MT), immediate past chair
Diane Barrans (AK)
David Nething (ND)

Other commissioners attending

Bill Byers (CO)

Staff attending

Cheryl Blanco
David Longanecker
Jere Mock
Marla Williams

Chair Perry called the Executive Committee meeting to order.

ACTION ITEM

Building Institutional Capacity and Leadership for Faculty Diversity

Jere Mock described the project detailed in Attachment 1. She said it had been discussed with the Executive Committee in November. She said approval is now being sought to approach new funding sources for a planning grant to develop new directions for a faculty diversity initiative.

Mock said this grant would take a different approach than the previous focus of the Compact for Faculty Diversity. The new effort would work directly with faculty and deans on campuses in three to four states.

With the encouragement of the Atlantic Philanthropic Service (APS), WICHE submitted a proposal for a planning grant in the amount of \$293,500. This action item seeks approval to approach other funding sources.

Mock said the National Compact for Faculty Diversity has convened a highly successful annual Institute for Teaching and Mentoring. She said the Southern Regional Education Board (SREB) is interested in continuing the annual institute. SREB is also interested in working with WICHE to develop a stronger component for faculty development issues related to minority students.

David Longanecker said this is a substantially revised thrust for WICHE's activities in this area. He said the last three-year initiative was a \$5 million grant. Most of this money went to fellowships for students. He said this is not a continuation of the fellowship component but an attempt to change the culture of

departments in their support of students so that students of color will be more successful in garnering the fellowships that come from other sources. Longanecker said the previous initiative showed that the most effective component was the institute. He said another successful component of the previous initiative was the direct work with the mentors and the departments to change the culture of graduate education.

Longanecker said if funding for this project is not received, WICHE would terminate this activity. APS has told WICHE it will initially provide a small planning grant.

Commissioner Fox said the outcomes of this initiative are long term and WICHE would need a multiyear commitment to achieve these goals. He asked if a planning grant could lead to a longer-term grant. Longanecker said APS had been very supportive and encouraging about the potential of a five- to 10-year grant beyond the planning grant. He said the APS leadership has recently changed, and it is not clear if it has the same level of commitment for this initiative as in months past. He said this is why WICHE wants to broaden its search for funding. Other foundations that might be interested in this initiative are the Ford Foundation and the Gates Foundation.

Commissioner Hamlett asked about the two other educational compacts involved in the Compact for Faculty Diversity. Longanecker said SREB is independently funded. He said many of the southern states are mandated under the Adams Decree to provide funding for race-based scholarships. SREB receives state-appropriated funds for this initiative. The New England Board for Higher Education (NEBHE) has already shut down its activities in this area. This new direction would allow WICHE to work with SREB and potentially NEBHE as well.

Commissioner Hamlett asked what would be lost with the elimination of the scholarship component of this initiative. Longanecker said Suzanne Benally believes the loss of this component will actually strengthen the program. She believes students who receive race-based fellowships often become marginalized.

COMMISSIONERS BLESSING/VINES (M/S) APPROVAL TO SEEK, RECEIVE, AND EXPEND FUNDS TO SUPPORT A PLANNING YEAR THAT WILL BUILD RELATIONSHIPS, PARTNERSHIPS, AND RESOURCES TO STRENGTHEN REGIONAL, INSTITUTIONAL, AND DEPARTMENTAL CAPACITY FOR ADDRESSING SUCCESSFUL MINORITY PARTICIPATION IN DOCTORATE EDUCATION AND PREPARING A DIVERSE FUTURE FACULTY. The motion passed unanimously.

Action Item

Knocking at the College Door: Projections of High School Graduates By State, Race/Ethnicity, and Income – 1988 to 2018

Cheryl Blanco described the action item detailed in Attachment 2. She said WICHE has a long history of collecting and reporting data about high school graduates. Since 1979 this data has helped decision makers make informed policy decisions about higher education. She said the major difference in this effort is the inclusion of income data. The combination of income-level data with racial/ethnic data for elementary and secondary school students will help states make important decisions about admission policies, tuition setting, appropriations, and financial aid.

It is estimated that the project will require \$500,000 over the remainder of FY 2002 and all of FY 2003. The data, which will include three decades of information, will project trends out to the year 2018 and is planned for released in summer 2003. Blanco said prior to the release of the report, she would provide each state with a profile that would highlight significant changes and provide higher education leaders with an opportunity to discuss the implications of and use for this data.

David Longanecker said WICHE is seeking significant external support for this project. In the past, WICHE has contributed a significant amount of staff time. The current proposal calls for just .5 FTE of contributed staff time. Cheryl indicated that in the past, the College Board had helped support this project and that ACT had also expressed interest in possibly providing support during this cycle. Commissioner Fox encouraged staff to seek funding from both ACT and the College Board. He said some states work mostly with the College Board while others work mostly with ACT and added that if one were to be approached, the other should be as well.

COMMISSIONERS KUEPPER/BURNS APPROVAL TO SEEK, RECEIVE, AND EXPEND FUNDS TO SUPPORT AN UPDATE OF WICHE'S HIGH SCHOOL GRADUATE PROJECTIONS WITH THE ADDITION OF INCOME DATA. The motion passed unanimously.

ACTION ITEM

Following the Sun: Trends, Issues, and Policy Implications of Student Mobility

Cheryl Blanco described the project detailed in Attachment 3. This project would build states' capacity to measure and understand the impact of student mobility in higher education in the West. *Following the Sun: Trends, Issues, and Policy Implications of Student Mobility* would engage policymakers and higher education leaders in key policy issues regarding the ability of states to manage mobility and provide better-informed discussions of public policies on mobility issues as they relate to higher education. The purpose of this project would be to assist states in building their capacity to measure and understand the impact of student mobility and to effectively address related public policy issues. Blanco said the two-year project would require \$420,000 from external sources.

Commissioner Blessing asked if the project would include data about mobility among states bordering Mexico and trends across these borders. Blessing said institutions in these states are accepting high school graduates as residents even though they are not U.S. citizens. Some states, such as Texas and California, have had complicating legislative intervention. Commissioner Fox agreed and said the SHEEOs should be closely involved in this project. Commissioner Crofts suggested that states bordering Canada would have similar interests in this type of data. It was agreed that an international component for bordering countries would be important for this project.

Commissioner Ching asked if the study should include other factors not listed in the description that might influence students' choices about higher education. Blanco said there would be other areas included in the project and the description is not a comprehensive list of the issues.

COMMISSIONERS CHING/BURNS (M/S) APPROVAL TO SEEK, RECEIVE, AND EXPEND FUNDS TO SUPPORT A PROJECT TO BUILD STATES' CAPACITY TO MEASURE AND UNDERSTAND THE IMPACT OF STUDENT MOBILITY IN HIGHER EDUCATION IN THE WEST. The motion passed unanimously.

DISCUSSION ITEM

WICHE's Legislative Advisory Committee

Jere Mock described the staff's desire to reactivate WICHE's Legislative Advisory Committee (LAC). She said the committee would strengthen WICHE's communications with key educational policymakers. She said the advisory committee would include WICHE commissioners who are legislators plus other invited legislators from each state. WICHE commissioners would recommend legislators to be invited to serve on the committee. The group would meet in conjunction with the summer 2002 meeting of the Council of State Governments-West and other WICHE and non-WICHE meetings. She said the goal for the LAC is to

strengthen policymaking in higher education. She said a combination of grants and general fund dollars would be used to support the projected \$20,000 per year costs for this effort.

Several commissioners voiced support for the reactivation of the advisory committee. Mock said this item would be presented as an action item at the Executive Committee conference call meeting in February.

DISCUSSION ITEM

Student Exchange Program Subcommittee (oral report)

In November, a subcommittee of the Student Exchange Program was established to review WICHE's three exchange programs: The Professional Student Exchange Program (PSEP), the Western Regional Graduate Program (WRGP), and the Western Undergraduate Exchange Program (WUE). Vice Chair Ruch was appointed chair of the subcommittee and all commissioners were invited to participate.

Vice Chair Ruch reported the subcommittee had met by conference call on January 8. He called on Jere Mock to summarize that meeting. Mock said the subcommittee includes: Commissioners Ruch (ID), Kuepper (CO), Isaak (ND), Vines (OR), Crofts (MT), and Mantes (UT). The subcommittee decided it would review PSEP to determine if new fields should be added, determine if new rules and administration policies needed to be developed for all of the programs, and examine possible new models of collaboration and cooperation within the region. The subcommittee decided it would focus on the following areas: 1) the nursing shortage and whether WICHE should be involved in examining supply/demand issues and responses; 2) the establishment of a brokering function to help states with access/shortage issues; 3) the establishment of a process to identify future workforce needs to help institutions meet those needs through PSEP; and 4) the development of a procedure to more effectively track trends and the states' plans for participation in PSEP. Vice Chair Ruch said the WICHE certifying officers and SHEEOs would be involved in the subcommittee's work. The committee will meet monthly and will report to the Programs & Services Subcommittee in May. The Executive Committee also will receive periodic updates during its conference calls.

Commissioner Rawson suggested that the Robert Wood Johnson Foundation might be interested in funding efforts around health care issues. He said the foundation would be announcing a call for proposals that would include funding to address workforce issues. Mock said she would follow up with him regarding the foundation's new initiative.

The meeting adjourned.

ACTION ITEM

Building Institutional Capacity and Leadership for Faculty Diversity

Summary

For the past year staff have been seeking new directions and potential funding sources for a faculty diversity initiative that would build upon the successful diversity programs that WICHE has implemented over the past several years. Staff now request approval for WICHE to seek, receive, and expend funds to support a one-year planning grant that will focus on:

- Strengthening minority graduate education and successful doctoral degree attainment of minority scholars.
- Developing comprehensive institutional and faculty leadership to support hiring and retention of minority scholars in faculty positions.
- Strengthening and expanding upon the successful core activities of the Compact for Faculty Diversity – namely, the Institute on Teaching and Mentoring.

The planning grant will enable WICHE to develop a network of leaders in the Western United States by partnering with several Research I institutions that already have begun substantive campus diversity initiatives that include plans for faculty diversity, departmental cultural change, and the transformation of curriculum, policies, and practices to create more hospitable, equitable campus environments. To achieve these goals, WICHE will sponsor activities that build institutional and state-level capacity and national partnerships and collaborations.

Relationship to WICHE Mission

The proposed planning initiative supports WICHE's mission to promote innovation, cooperation, resource sharing, and sound public policy among states and institutions in order to expand educational access and excellence for all citizens of the West. The emphasis in this grant is on strengthening the response of higher education – colleges and universities – to the need for greater faculty diversity. This project will develop relationships, partnerships, and strategies for a concerted collaborative effort to build a diverse future faculty.

Background and New Directions

Three regional higher education associations – the New England Board of Higher Education (NEBHE), the Southern Regional Education Board (SREB), and the Western Interstate Commission for Higher Education – created the Compact for Faculty Diversity in 1994 to address the serious and chronic problem of minority faculty underrepresentation. Through the compact, increasing numbers of minorities are earning doctoral degrees and entering faculty positions. The compact works because it promotes the reform of graduate education to insure minority student success and because it generates new institutional and state support for prospective minority faculty. Funding from the Atlantic Philanthropic Service (APS) Company, PEW Charitable Trusts, and the Ford Foundation supported the Compact for Faculty Diversity over a six-year period.

WICHE proposes to build on the success of the Compact for Faculty Diversity by developing a second generation of programs that focus on retooling graduate programs at colleges and universities throughout the West. The groundwork has been laid and models implemented for successful graduate and doctoral scholars programs that focus on student success and students' needs. While significant

contributions have been made to the building of more inclusive colleges and universities, the barriers to faculty diversity today lie primarily with institutional and departmental cultures, climates, and practices that hinder the hiring and career advancement of minority scholars.

As we move forward, it is essential to focus on departmental change because many of the challenges minority faculty face have their locus there, in part because of the strong faculty governance culture in academe. Departmental change is unlikely to succeed unless there is intervention from the leadership of the university. In order to provide this leadership, administrators need a solid understanding of the structural, psychological, and behavioral barriers to the hiring and advancement of minority faculty and of best practices and strategies at the departmental and institutional level.

Merely increasing the supply of minority doctorates, though essential, is not enough. We must continue to be vigorously engaged in activities that lead minority scholars and other future faculty to successful and satisfying academic careers. We must also continue our work to engage and educate higher education's leaders and policymakers on the importance of faculty diversity and minority student achievement.

The University of Washington, a champion of faculty diversity, will be a lead institution in developing and shaping this effort. Other institutions will be identified to form a regional consortium that can later become a resource for other colleges and universities.

Planning Goals and Outcomes

The goals of the planning phase are designed to create support among key higher education leaders at state and institutional levels, who will sustain future work on this agenda. A process will be developed with targeted institutions and departments focusing on efforts that correspond to their unique missions and environments and that promote minority success. Finally, the planning goals seek to identify national partners whose programs and resources can contribute and further support a faculty diversity agenda.

Therefore, the goals of the one-year planning grant are to:

- Build departmental, institutional, and regional capacity to successfully foster and respond to increasing faculty diversity.
- Develop an informed, supportive group of leaders and policy support for faculty diversity.
- Identify and develop future collaborations and partnerships with national higher education organizations.
- Develop faculty leadership for diversity and mentoring at the Institute for Teaching and Mentoring.

The anticipated outcomes of the one-year planning phase are:

- An identified network of engaged institutions and departments. To participate, institutions must agree to involve at least three departments in activities during the planning phase.
- A cadre of deans, faculty, and administrators who are committed to the graduate school reform process and advocates for faculty diversity.
- Senior institutional leaders who are willing to commit resources to future phases of the program.
- A regional dialogue that addresses the need for faculty diversity.
- An informed constituency of key state educational leaders and policymakers.
- Identified partners to participate in future phases of the project, who will engage in a larger national effort.
- A faculty development component, to be instituted at the 2002 Institute for Teaching and Mentoring.

These efforts will serve to reaffirm and build upon existing commitment in the Western states and will work to actively build a stronger collaborative agenda for an anticipated comprehensive initiative. The unique

attributes of the West are taken into account: the degree of isolation and distance between campuses, varying population densities, diversity of demographics in its subregions, differing local and state political histories, and diversity of higher education governance and institutional missions.

Action Requested

Approval to seek, receive and expend funds to support a planning year that will build relationships, partnerships, and resources to strengthen regional, institutional, and departmental capacity for addressing successful minority participation in doctorate education and preparing a diverse future faculty.

Staff and Fiscal Impact

The planning phase will be supported entirely by grant funds. APS invited WICHE to submit a proposal. We also plan to approach other foundations, including the Bill and Melinda Gates Foundation. We are seeking funding of approximately \$293,500; indirect costs contributed to WICHE would total \$38,512.

Staff Impact (annualized FTE)

| Staff | Grant Funded | WICHE Contributed | Total |
|----------------|--------------|-------------------|---------|
| Existing Staff | 1.0 FTE | 0 | 1.0 FTE |
| New Staff | .50 FTE | 0 | .50 FTE |

ACTION ITEM**Knocking at the College Door: Projections of High School Graduates
by State, Race/Ethnicity, and Income – 1988 to 2018****Summary**

Staff requests approval to seek, receive, and expend funds to support an update of our high school projections report with the addition of income data. By combining income-level data with racial/ethnic data for elementary and secondary school students, we will be able to add an additional dimension to projections of high school graduates. This project will provide policymakers with the hard data they'll need to make more informed decisions about the effect of changing demographics on higher education.

Relationship to WICHE Mission

This project directly supports WICHE's mission to promote innovation, cooperation, resource sharing, and sound public policy among states and institutions in order to expand educational access and excellence for all citizens of the West. The policy and research emphasis of this project will focus on issues related to student access to higher education.

Background

Access to higher education is a critical issue, particularly among states experiencing dramatic growth and change in their populations. The K-12/higher education student clientele is changing significantly as a wave of new students surges through our elementary and secondary schools. In the first decade of the 21st century, more American high school students will be pursuing postsecondary education than ever before – and these students will be characterized by unprecedented diversity. Policymakers need a better understanding of the impact of these demographic changes, especially in light of the growing numbers of low-income and minority students. WICHE proposes a new research initiative that will develop projections of high school graduates by income level. By expanding data collection and analysis efforts to include information on students' income, we will powerfully supplement our extensive databases on enrollments and race and ethnicity.

In 1979, WICHE began collecting data and publishing projections of high school graduates by state throughout the U.S. and the District of Columbia. The commission's initial publication of high school graduates that year provided the first comprehensive examination regionally and by state of the effects of birth rates and interstate migration on the numbers of public high school graduates.

In 1990, in collaboration with the College Board, this project was expanded to include data and projections on grade-by-grade enrollment and graduates by race and ethnicity. WICHE's work on tracking race and ethnicity was reported in *The Road to College*. This publication grew out of increasing need among higher education planners for data on elementary- and secondary-level enrollment and high school graduates by race/ethnicity, as well as other indicators of educational progression by race/ethnicity.

Subsequent editions of our projections publications have continued to provide valuable information for higher education planning by translating demographic trends into tangible measures directly related to college enrollments. Through these publications, the commission established an enviable reputation for producing projection data needed for access and diversity discussions. Our projections of high school graduates have become a national reference for higher education, researchers, business investors, education planners, and policymakers because they provide:

- Projections of the number of high school graduates by state and by race/ethnicity over decades.
- Analyses of national, regional, and state public and private high school graduation projections.
- Data, both historical and projected, on school enrollments (grades 1 through 12).
- Trends in birth rates (historical and projected) and their impact on school and college enrollments.
- Consistently valid projections.
- Information available in hard copy and electronically.

For the first time, in the upcoming 6th edition of *Knocking*, the projections will also be calculated by income level. The potential for this kind of information is significant, as it will allow state and institutional planners, researchers, and policymakers to better understand how to address important related issues such as tuition setting, appropriations, and financial aid.

Project Description

The 5th edition of *Knocking at The College Door: Projections of High School Graduates by State and Race/Ethnicity, 1996 to 2012*, was published in March 1998. We plan to issue the 6th edition in Summer 2003.

New data from the states has continued to come in on an irregular basis since the release of the 5th edition. In order to improve the quality and timeliness of data collection, we have revised our collection methodology for public school data and are now relying on state reports to the common core of data in the federal government's national center for education statistics. The Common Core of Data (CCD) is the Dept. of Education's primary database on public elementary and secondary education in the United States. CCD is a comprehensive, annual, national statistical database of all public elementary and secondary schools and school districts, which contains data that are designed to be comparable across all states.

Data on nonpublic enrollments and graduates are collected from those states where data are available from the state department of education. The reliability and completeness of nonpublic data varies considerably across states. Therefore, we analyze a variety of sources of nonpublic data. Grade-by-grade enrollment and graduate data by state for schools that are part of the National Catholic Education Association (NCEA) are requested (Roman Catholic schools represent approximately one half of all nonpublic enrollments in the United States). We are also investigating the availability of data from other nonpublic school associations and data from the National Center for Education Statistics Private School Universe Survey. In order to reflect the increased use of home schooling as an option for many families, the project will attempt to collect and report data on this alternative education phenomenon. In addition, birth data by state and race/ethnicity will be collected from the National Center for Health Statistics for all 50 states and the District of Columbia and entered into the database.

In order to expand this project to include income data, we will need to redesign our projection model to incorporate income variables. This will first entail commissioning a consultant to assist us in identifying appropriate income data sources, developing a model to project income levels with race/ethnicity variables, and applying this information to our existing data base of enrollment data and other variables. Clearly, this will be a complex, time-consuming, and expensive process. However, we feel it is critical to add this new dimension to our work in order to provide our constituents with a more valuable tool for higher education planning.

As we have done in the past, WICHE will solicit external support from foundations to assist with model redesign, data collection, processing, and analysis costs, as well as personnel, publication, and dissemination expenses for the publication.

Staff and Fiscal Impact

This project will be supported by WICHE and by grant funds. Staff estimate the project will require approximately \$500,000 in funding over the remainder of FY02 and all of FY03.

FISCAL IMPACT

| Grant Activities | Internal Chargebacks ^a | Indirect Costs | Total Grant Request |
|------------------|-----------------------------------|----------------|---------------------|
| \$489,362 | \$17,668 | \$63,830 | \$500,000 |

^a Office rent, telephone equipment, and network services fees.

STAFF IMPACT (annualized FTE)

| Staff | Grant Funded | WICHE Contributed | Total |
|----------------|--------------|-------------------|----------|
| Existing Staff | 1.0 FTE | .05 FTE | 1.05 FTE |
| New Staff | — | — | — |
| Total: | 1.0 FTE | .05 FTE | 1.05 FTE |

Action Requested

Approval to seek, receive, and expend funds to support an update of WICHE's high school graduate projections with the addition of income data.

ACTION ITEM
Following the Sun:
Trends, Issues, and Policy Implications of Student Mobility

Summary

Staff requests approval to seek, receive, and expend funds to support a project to build states' capacity to measure and understand the impact of student mobility in higher education in the West. *Following the Sun: Trends, Issues, and Policy Implications of Student Mobility* will engage policymakers and higher education leaders in key policy issues regarding the ability of states to manage mobility and provide better-informed discussions of public policies on mobility issues as they relate to higher education. The purpose of this project will be to assist states in building their capacity to measure and understand the impact of student mobility and to effectively address related public policy issues.

Relationship to WICHE Mission

This project directly supports WICHE's mission to promote innovation, cooperation, resource sharing, and sound public policy among states and institutions in order to expand educational access and excellence for all citizens of the West. The policy emphasis of this project will focus on dealing with state-level issues related to student mobility in higher education.

Background

Population mobility is a very real issue for higher education. As state higher education agencies as well as postsecondary systems and individual institutions develop or update master plans and enrollment projections, all are concerned not only with population changes within the state but also with in-migration trends. Population and student mobility concerns also impact a wide range of related policy issues, including tuition setting, financial aid, appropriations, housing, faculty, facilities management, residency requirements, transfer, student outcomes, efficiency, and linkages with k-12.

According to the U. S. Census Bureau, approximately 43 million Americans moved between 1999 and 2000. The majority (56 percent) of the moves were within the same county, but one fifth occurred between one county and another within the same state and another fifth involved moves to another state. The Census Bureau has noted a decrease in moves within the same county and a corresponding increase in the percentage of moves between counties, particularly to counties in different states. In 1998, 15 percent of all moves were between states, compared with 19 percent of all moves in 2000. People from households in lower income categories were more likely to move than those in higher-income categories. However, there were only small differences in moving rates by educational attainment.

The West is one of the most attractive areas of the country. Five Western states – Nevada, Arizona, Colorado, Utah, and Idaho – topped the scales in the 2000 census with the highest percentage changes in population since 1990. Several other states in the West were ranked in the top 10, based on the numeric changes in their populations. Between 1999 and 2000, 763,000 people moved into the West; only the South exceeded this immigration number, with 1.2 million immigrants. However, 820,000 people left the West for other regions – most of them headed South.

An increasing number of people are indicating that they move to attend or leave college: nationally, 719,000 people chose this reason for moving in 1997-98; 944,000 chose it in 1999-2000. Migration trends are linked to higher education enrollments, particularly those of first-time freshmen. Two Western states (North Dakota and Utah) have high percentages (over 25 percent) of freshman college students

who come from other states. Several states (Arizona, Colorado, Idaho, Oregon, South Dakota, and Wyoming) report that 20 to 25 percent of their students come from other states. High percentages of students from WICHE states also elect to attend institutions in other states. Approximately 53 percent of postsecondary students in Alaska attend a college or university out of state; North Dakota and Wyoming send about 34 percent to another state. Those percentages range from 20 to 30 percent for Hawaii, Idaho, Montana, Nevada, New Mexico, and South Dakota.

National studies show that between 1982 and 1993, approximately one half of undergraduate students attended more than one postsecondary institution. Of students who began their postsecondary education in 1989-90, almost half (45 percent) had enrolled as undergraduates at more than one institution by 1994.

Project Description

While mobility issues affect different Western states in different ways, none can escape the need to understand the way population migration affects their colleges and universities. The uncertainty of revenue streams, the potential for cutbacks, and the impact of revenue and expenditure restrictions make careful analysis of mobility issues even more critical.

Following the Sun: Trends, Issues, and Policy Implications of Student Mobility will examine student mobility at three points in the college experience: mobility of recent high school graduates as they enter college; the “swirling effect” produced as college students move in and out of higher education institutions; and the movement of recent college graduates from their institution to their state of employment. The project will analyze mobility data and explore the factors that contribute to students’ decisions as we explore several questions, including:

- Do mobility patterns differ significantly by income, age, race/ethnicity, and institutional choice?
- How do “mobile” students compare to “nonmobile” students in terms of persistence to graduation from college?
- How do federal policies impact mobility?
- How will online learning impact student mobility?
- How do state policies related to tuition, financial aid, recruitment, admissions, etc., impact mobility?
- How do regional compacts and interstate and interinstitutional reciprocity agreements influence mobility?
- How do economic conditions affect mobility? Can we effectively project student mobility patterns for planning purposes during high fluctuations in state economies?
- What is the most effective way of developing state strategies to deal with mobility issues?
- What are the regional implications of mobility patterns?
- Do revenue reductions in one state create conditions in institutions and systems that result in higher student migration or brain drain?

With *Following the Sun*, WICHE will address these and other policy questions. Over a two-year period involving a variety of activities – including state roundtables, technical assistance, regional forums, analytical briefs, consensus building, and policy formulation – this project will allow states to examine their individual trends and policies as well as to look at the consequences produced by the interaction of regional and multistate policies and practices that affect student mobility. To test the utility of a subregional data base on student mobility, a small group of contiguous states will be invited to participate in case study design that will examine data exchange options as well as policy alternatives. The initial year of the project will be for information collection, database development, and research; the second year will involve implementation of the database on a subregional level and dissemination activities.

WICHE will collaborate with organizations such as the State Higher Education Executive Officers (SHEEO), National Conference of State Legislatures (NCSL), the Council of State Governments-WEST, the National Governors' Association, ACT, and the College Board.

Staff and Fiscal Impact

This project will be supported primarily by grant funds. Staff estimate the project will require approximately \$175,000 in FY 2003 and \$245,000 during FY 2004 in external funding.

FISCAL IMPACT

| | | | |
|------------------|-----------------------------------|----------------|---------------------|
| Grant Activities | Internal Chargebacks ^a | Indirect Costs | Total Grant Request |
| \$365,818 | \$14,077 | \$54,873 | \$420,000 |

^a Office rent, telephone equipment, and network services fees.

STAFF IMPACT (annualized FTE)

| | | | |
|----------------|--------------|-------------------|---------|
| Staff | Grant Funded | WICHE Contributed | Total |
| Existing Staff | .60 FTE | .15 FTE | .75 FTE |
| New Staff | — | — | — |
| Total: | .60 FTE | .15 FTE | .75 FTE |

Action Requested

Approval to seek, receive, and expend funds to support a project to build states' capacity to measure and understand the impact of student mobility in higher education in the West.

Minutes

Executive Committee Conference Call

February 19, 2002

Committee members attending

Tad Perry (SD), chair
Chuck Ruch (ID), vice chair
Emily Stonington (MT), immediate past chair
Linda Blessing (AZ)
Warren Fox (CA)
Bill Kuepper (CO)
Doris Ching (HI)
Gary Stivers (ID)
Dick Crofts (MT)
Larry Isaak for
 David Nething (ND)
Diane Vines (OR)
Bob Burns (SD)
Don Carlson (WA)

Committee members unable to attend

Diane Barrans (AK)
Ray Rawson (NV)
Bruce Hamlett (NM)
David Gladwell (UT)
Jenne Lee Twiford (WY)

Other commissioner attending

Bill Byers (CO)

Other attending

Louise Lynch (AZ)

Staff attending

Cheryl Blanco
David Longanecker
Jere Mock
Dennis Mohatt
Marv Myers
Marla Williams

Chair Perry called the Executive Committee meeting to order.

Action Item: WICHE's Legislative Advisory Committee

Jere Mock described the action item detailed in Attachment 1. She said the concept of establishing the Legislative Advisory Committee had been discussed with the Executive Committee in January, and that action is now being sought for formal approval. She said the committee's objectives include:

- To engage key legislators in discussions of important higher education issues, particularly those issues relevant to the WICHE workplan.
- To seek legislative input on strategies for interstate collaboration and joint solutions to shared educational challenges in the West.
- To encourage legislators and legislative staff to rely on WICHE as a prime source of information on higher ed issues and to encourage the committee members to make others aware of the services and assistance available from WICHE.

Mock said expenses for the committee's activities, estimated at \$20,000, would be funded by WICHE's general fund and through external sources.

COMMISSIONERS BLESSING/CHING (M/S) APPROVAL TO REACTIVATE THE WICHE LEGISLATIVE ADVISORY COMMITTEE AND TO RECRUIT TWO LEGISLATORS FROM EACH OF THE WICHE STATES TO SERVE AS COMMITTEE MEMBERS. The motion passed unanimously.

Action Item

Bringing Balance: Strategies to Reform Revenue Systems

David Longanecker reported that the item detailed in Attachment 2 had been approved by the Issue Analysis and Research Committee at the May 2001 commission meeting and that no action was required at this time.

Commissioner Blessing said this issue is very important in Arizona. She said much of Arizona's funding is through sales tax, and it is based on goods only (not on services). She said Arizona's economy is growing in the service area and this is causing constraints. Longanecker said this problem is much like e-commerce. He said the nature of commerce today has changed substantially, making the tax structures developed in the 1900s inadequate.

Commissioner Carlson asked if states were interested in having WICHE make a proposal to them about their revenue systems or if that would be seen as an imposition or interference to the states. Longanecker said the way the project was envisioned, WICHE would work with the Brookings Institution to garner a strong factual and philosophical basis for regional forum discussions. States could either participate or not. Following the regional forum discussions, WICHE would work individually with states that wanted to pursue reform structures. WICHE wouldn't tell states what they should be doing. Instead, WICHE would provide information and a forum for discussion. He said many states are interested, but there isn't a structure for dialogue about this issue. Carlson said the problem is getting the citizens' support for tax changes. Longanecker said that is why it is important to provide both factual and philosophical material.

Commissioner Kuepper asked why WICHE is involved in this area and asked if it is central to WICHE's mission or if WICHE was doing this by default. Longanecker said this is one of the reasons why WICHE wants to partner with groups who have a broader perspective, like the Council of State Governments, the National Conference of State Legislatures, and the Brookings Institute. He said for WICHE there is interest in this topic because states need to have enough revenue to support quality higher education.

Commissioner Blessing said it would be hard for WICHE to avoid the political implications of this issue. She said one thing unique to the West is the enormous growth in some states. She said this alone makes it an appropriate focus for WICHE, and states need help to cope with enrollment growth. Longanecker said another thing unique to the West is that the states are not wealthy; this means it takes a substantial tax effort to support public services. Longanecker said this project requires external support to begin.

Commissioner Burns said he believes this is an important project and it is a key issue in South Dakota. He said having a neutral group to provide data and meaningful dialogue would help to override some of the nonproductive partisanship that occurs around these issues.

Report – Student Exchange Program Subcommittee

Vice Chair Ruch reported that staff had interviewed each WICHE state about the subcommittee's four areas of concern: 1) the nursing shortage and whether WICHE should be involved in examining supply/demand issues and responses; 2) the establishment of a brokering function to help states with access/shortage issues; 3) the establishment of a process to identify future workforce needs to help institutions meet those needs through PSEP; and 4) the development of a procedure to more effectively track trends and the states' plans for participation in PSEP. He said based on these interviews, staff will develop a working paper for the subcommittee. He said initial results reveal health care workforce issues are an immediate need in the states, but it appears to be a reoccurring problem of over/under supply/demand in this area. David Longanecker said the May meeting would focus on health care issues. He said the Executive Committee would discuss the meeting schedule later during this conference call. Vice Chair

Ruch thanked Jere Mock and Sandy Jackson for their staff work with the subcommittee. He said the subcommittee would examine the history, roles, and philosophical reasons for the three student exchange programs. He said everyone should be cognizant of the programs' future need for flexibility in every state. He said the working paper will address these areas to be further discussed by the subcommittee, and a discussion with the full Programs & Services Committee is planned for May.

Discussion Item: FY 2002 and 2003 Budget Projections

David Longanecker reported on updated projections for the FY 2002 budget and reviewed initial projections for the FY 2003 budget. He said for FY 2002, interest income was down due to lower interest rates, and indirect income was down due to underspending in currently funded WICHE grants. He said while the FY 2002 budget is better than projected in May 2001, it is not as good as was most recently reported in November 2001. He said total income for FY 2002 will be about \$35,000 less than projected. He said expenditures are projected to be \$57,000 less than projected. He said as a result of these factors, the FY 2002 budget is doing better than projected in May by about \$22,000.

Longanecker said the major items to note for the general fund FY 2003 budget are: 1) the increased income due to the approved increase in dues; 2) the projected, continued decline in interest rates, 3) a decrease in PSEP funding; and 4) an increase in income from indirect cost recovery from grants and contracts. This results in a total income of \$2 million with expenses just under \$2 million, resulting in a surplus of \$49,325. He said this is not the entire budget picture because there are designated line items in the budget: 1) the required minimum reserve of 12 percent of total general fund expenditures; and 2) an estimated \$60,000 expenditure for WICHE's 50th anniversary celebration. He said next month the Executive Committee would review a detailed plan for WICHE's 50th anniversary activities and expenses. He said states would be surveyed just prior to the May meeting to provide more accurate estimates of PSEP participation. He said commissioner participation in meetings and general travel costs are projected to increase travel expenses. He reminded the committee that these projections are very preliminary and the proposed FY 2003 budget would be acted on at the May meeting.

Commissioner Blessing asked about the minimum reserve level. Longanecker said in May 2000, the commission set the minimum reserve at 12 percent of general fund expenditures. Commissioner Blessing said this amount seems lean and that some organizations have six months' worth of operating expenses on hand. She asked for clarification about the 50th anniversary celebration expense and the reduction in interest earnings directly impacting the reserve level. She commended staff for having built up the reserves, but said she was concerned about these items, given the small amount of the reserve even though it is more than the minimum level. Longanecker said while the reserve level had been set in May 2000, the commission might want to reconsider that level in May. Longanecker said he does not think nonprofit organizations should build reserves beyond what is realistically needed, and that the policy developed in May 2000 presumed this to be enough to operate for three months. He said the only thing that is currently budgeted for FY 2003 that would impact the FY 2003 reserves is the 50th anniversary celebration. He said there are some expenses, such as association management software, that may not occur in FY 2002 and may be moved to the FY 2003 budget.

Commissioner Rawson asked if it wouldn't be prudent to have two separate reserve levels and use one of those for emergencies only. He said given the recession, it isn't wise to disassemble the WICHE organization and perhaps it would be better to increase the emergency reserve to be able to operate for a longer period of time. He added this might be a long-term strategy. Commissioner Blessing said she would like to have an opportunity to discuss and revisit the minimum reserve level. She added that she appreciates the rapid improvement in the budget for the overall health of the organization. Longanecker said he would work with Chair Perry to bring a discussion about the reserve to the commission in May.

Discussion Item: FY 2003 Workplan Development

David Longanecker reported that he and the officers had discussed the workplan for FY 2003. The consensus was WICHE's current workplan is still relevant and attuned to the needs of the West. It was decided the workplan would need some minor adjustments rather than a larger redefinition. Longanecker said he would take suggestions made to him over the past year about the workplan and incorporate them into existing themes. The workplan themes include: finance, access, accountability, workforce development, and innovation/technology. A draft workplan will be presented to the Executive Committee for review during their March conference call meeting. Longanecker said a more substantial evaluation of the workplan would be appropriate in FY 2004.

Discussion Item: Commission Meeting Schedule for May 2002

David Longanecker reviewed the draft schedule for the May 20-21, 2002, commission meeting to be held in Santa Fe, New Mexico. He said on Sunday, May 19, prior to the start of the commission meeting, WICHE's certifying officers will meet, and an orientation session for new commissioners would be held. On Monday, May 20, the commission meeting starts with a closed session of the Executive Committee followed by an open Executive Committee meeting. Policy theme discussions would include a meeting with the Mental Health Oversight Council on Monday afternoon. As part of this theme, discussions would focus on workforce development and continuing education for mental health professionals. He said on Tuesday, May 21, the discussion would be broader about health care workforce development issues. Also on Tuesday, state finance issues would also be discussed. The final session is a Committee of the Whole session where the majority of the commission's business would be conducted. Longanecker said another draft meeting schedule would be discussed during the Executive Committee conference call in March.

The meeting adjourned.

ACTION ITEM

WICHE's Legislative Advisory Committee

Summary

In response to commission and staff interest, we are eager to reactivate WICHE's Legislative Advisory Committee (LAC) to strengthen our communications with key educational policymakers. WICHE commissioners who are legislators will be invited to serve as members, and we propose to work with commissioners and legislative leadership to seek other appointees. The LAC would be convened this summer as part of the 55th Annual Meeting of the Council of State Governments-WEST in Lake Tahoe.

Relationship to WICHE Mission

This activity directly supports WICHE's mission to promote innovation, cooperation, resource sharing, and sound public policy among states and institutions in order to expand educational access and excellence for all citizens of the West. Staff will work with committee members to seek their ideas on key issues that WICHE should address, strengthen their understanding of emerging policy issues, and schedule legislative briefings in several WICHE states during 2002 and beyond.

Background

In June 1995 the WICHE Commission approved the creation of a WICHE Legislative Advisory Committee, with two legislators representing each state. The committee met annually from 1995 through 1999 (the 1995 and 1998 meetings were held in conjunction with WICHE Commission meetings; meetings in 1996 and 1997 preceded Western Policy Exchange forums; and in 1999 the meeting was held with the annual meeting of the Western Cooperative for Educational Telecommunications). Committee members also took part in several WICHE regional policy forums. Funds from a Kellogg Foundation grant in support of the Western Policy Exchange, along with some general funds, supported these meetings and legislator travel to the policy forums.

Reactivating the Legislative Advisory Committee

WICHE's overall goal for the Legislative Advisory Committee is to strengthen state policymaking in higher education. Specific objectives include:

- To engage key legislators in discussions of important higher education issues, particularly those issues relevant to the WICHE workplan.
- To seek legislative input on strategies for interstate collaboration and joint solutions to shared educational challenges in the West.
- To encourage legislators and legislative staff to rely on WICHE as a prime source of information on higher ed issues and to encourage the committee members to make others aware of the services and assistance available from WICHE.

Two legislators per state will be appointed, with both chambers of the legislature represented; some states will have more than two members if they have commissioners who are legislators (as is now the case in Alaska, Montana, Nevada, New Mexico, North Dakota, Utah, and Washington). Staff will work with the commissioners and legislative leaders in each state to coordinate the appointments; we will seek to appoint the chairs of Education and Appropriations committees. Each member will serve a three-year

term, with the option of accepting one additional, successive term; no member will serve more than six years on the committee.

WICHE proposes to partner with CSG-WEST to convene the LAC meetings (CSG-WEST has asked WICHE to develop a higher ed component for its annual meetings). The 2002 CSG-WEST meeting will be held July 16-19 in Lake Tahoe, NV.

Budget

A combination of grants and general funds will be used to support the bulk of the Legislative Advisory Committee's costs. Expenses are estimated at approximately \$20,000 per year for travel stipends, communications, and associated meeting expenses. General fund support will be budgeted in the Programs and Services unit for these costs. Funds from one or more grant-funded projects will also be used, including WICHE's three-year project *Expanding Engagement: Public Policy to Meet State and Regional Needs*, which is supported with a grant from the Ford Foundation. This project includes several regional forums, roundtables, and policy meetings in which we're planning to involve LAC members. Some funds have been allocated in the project budget to support legislative travel.

Action Requested

Approval to reactivate the WICHE Legislative Advisory Committee and to recruit two legislators from each of the WICHE states to serve as committee members.

ACTION ITEM

Bringing Balance: Strategies to Reform State Revenue Systems

Summary

Staff request approval for WICHE to seek, receive and expend funds to support a project that will examine outdated state tax and revenue structures in Western states along with the impacts of voter imposed or legislatively enacted tax and spending limitations. The project will help policymakers and higher education leaders to better understand the philosophical and political undergirdings of current revenue policies and practices, as well as to examine the financial projections and societal implications of where these policies will lead in the future. WICHE will use several forums to provide information and to discuss ways in which public policy can address the issues. We will partner with at least two other organizations: the Brookings Institution and the Council of State Governments-WEST to address key policy issues concerning state revenue structures, alternatives that should be considered by states to better meet emerging societal needs, and implications for higher education funding in the future.

Relationship to WICHE Mission

This project directly supports WICHE's mission to promote innovation, cooperation, resource sharing, and sound public policy among states and institutions in order to expand educational access and excellence for all citizens of the West. The emphasis in this project is on state-level issues and an integrated approach to examining current tax and revenue structures, it will address ways in which tax reform might better meet the needs of states and higher education – the largest single discretionary item in states' budgets.

Background

A 1999 study conducted for the National Center for Public Policy and Higher Education indicated that 14 of the 15 Western states face structural deficits within the next decade – in part because many of them rely on tax and revenue structures that are not designed to meet changing fiscal and societal demands. Three of the Western states (Alaska, Nevada, and Wyoming) have no personal state taxes of consequence, relying almost entirely on mineral extraction fees or taxes on gambling. Washington has no income tax and relies heavily on sales taxes and high business taxes, creating a chilling effect on prospective new businesses. Its neighbor, Oregon, has an income tax but no sales tax, thus making it particularly vulnerable to the vagaries of a narrow tax base. The problems arising from these already outdated systems have been exacerbated by various voter-imposed or legislatively enacted tax and spending limitations. And as e-commerce increases as an untaxed piece of the economy, state revenues will erode further. If new approaches aren't explored and implemented the long-term consequences could lead to fiscal crises in virtually every Western state.

Several indicators suggest that an initiative targeting state tax and revenue structures, and their impact for future public support for higher education, is critical: projections indicate that the state budget outlook may deteriorate during the next few years. "Specifically, a moderate slowdown in state revenue growth and escalating state health care costs will cause many state budgets to tighten," according to a recent study by the National Governors' Association. Revenue declines are occurring at a time when most states are facing significant growth among college-age youth, a large proportion of whom are from racial and ethnic groups and economic sectors that traditionally have been underrepresented in higher education.

Most states are not well positioned to accommodate this type of enrollment demand, particularly in an era of widening budget gaps.

Project Description

WICHE, working with staff of the Brookings Institution, will develop the policy research necessary to demonstrate the magnitude of the challenges. This phase of the project will involve documenting how current revenue collection policies and practices have evolved in the West, as well as examining the financial projections and societal implications of where these policies will lead in the future. We'll also look at the unique circumstances in the West that tax and spending limitations, many resulting from initiative and referendum, are imposing on state government. This initial phase will build on the solid foundation of work in the area by the National Center for Public Policy and Higher Education and the Nelson A. Rockefeller Institute of Government.

In addition to examining current policies and economic projections, this phase of policy research will also focus on the West's current political culture and the impact it has on tax and revenue reform. At least two current Western governors have contemplated tax reform but have determined that it was not an issue they could successfully address in the current political climate. One Western legislature has mandated study and reform, but that effort has yet to gain any traction.

The second aspect of the project will be to present our findings and explore policy alternatives in various forums throughout the West. The Council of State Governments-WEST has agreed to assist with this component – and we will also work with the National Conference of State Legislatures and the Western Governors' Association to disseminate our work. We will conduct at least one regional forum to bring together a diverse set of relevant policymakers from all of the Western states to provide information and to discuss ways in which public policy can address the issue. The forums will help participants understand the issue and also aid them in exploring ways in which states, individually or collectively, might consider alternative tax and revenue structures.

The third component will be to work with selected Western states that share an interest in exploring more deeply how they – together or individually – can reform their tax and revenue structures to more adequately address the emerging needs of their citizens.

Our primary partners will be the Brookings Institution and its Center for Public Policy Education, along with the Council of State Governments-WEST. These partners will expand and enrich the scope of the project, helping us to reach out to national experts on these issues. Throughout the project, we would work closely with leadership from both the legislative and executive branches of government, as well as with related regional and national organizations such as the National Center for Public Policy in Higher Education, the National Conference of State Legislatures, and the Nelson A. Rockefeller Institute of Government.

Action Requested

Approval to seek, receive and expend funds to support a project that will help policymakers and higher education leaders to better understand why many states' current revenue policies and practices need to be changed, as well as to examine the financial projections and societal implications of not responding to this need.

Staff and Fiscal Impact

The “*Bringing Balance*” project will be supported primarily by grant funds. The primary potential national funder is the Pew Charitable Trusts’ Public Policy Program. WICHE will seek approximately \$402,500 in grant funding.

FISCAL IMPACT

| <u>Grant Activities</u> | <u>Internal Chargebacks^a</u> | <u>Indirect Costs</u> | <u>Total Grant Request</u> |
|-------------------------|---|-----------------------|----------------------------|
| \$350,000 | \$8,700 | \$52,500 | \$402,500 |

^a Office rent, telephone equipment, and network services fees.

STAFF IMPACT (annualized FTE)

| <u>Staff</u> | <u>Grant Funded</u> | <u>WICHE Contributed</u> | <u>Total</u> |
|----------------|---------------------|--------------------------|--------------|
| Existing Staff | .50 | .20 | .70 |
| New Staff | .50 | 0 | .50 |
| Total: | 1.00 | .20 | 1.20 |

Minutes

Executive Committee

March 28, 2002

Committee members attending

Tad Perry (SD), chair
Emily Stonington (MT), immediate
past chair

Diane Barrans (AK)
Linda Blessing (AZ)
Warren Fox (CA)
Bill Kuepper (CO)
Doris Ching (HI)
Gary Stivers (ID)
Dick Crofts (MT)
Carl Shaff for
 Ray Rawson (NV)
Bruce Hamlett (NM)
Larry Isaak for
 David Nething (ND)
Diane Vines (OR)
Bob Burns (SD)
David Gladwell (UT)
Don Carlson (WA)
Jenne Lee Twiford (WY)

Committee member unable to attend

Chuck Ruch (ID), vice chair

Other attending

Louise Lynch (AZ)

Staff attending

Cheryl Blanco
David Longanecker
Jere Mock
Dennis Mohatt
Marv Myers
Marla Williams

Chair Perry called the Executive Committee meeting to order.

Discussion Item

Commission Meeting Schedule for May 2002

David Longanecker reviewed plans for the May 2002 WICHE Commission meeting. He said the program varied slightly from the program reviewed in February; the policy piece was broadened to include healthcare as an overall theme. Longanecker said U.S. Sen. Pete Domenici of New Mexico has been invited to participate in the meeting.

Commissioner Shaff said flight schedules for departure on Tuesday, May 21, are limited and he asked about ending Tuesday's meeting earlier to accommodate earlier departure times. Commissioner Fox suggested the final business session start first thing Tuesday morning. Longanecker said a working lunch could be held on Tuesday to shorten the day, ending at 1:30 p.m. Several commissioners agreed with the idea of having a working lunch and ending the meeting at 1:30 p.m.

Longanecker reported that a tour of the Santa Fe Institute on Tuesday afternoon had been scheduled for those who would be able to stay longer. The Santa Fe Institute will provide a tour of their facilities and a presentation on the "science of complexity."

Commissioner Crofts asked about the health care policy theme and wanted clarification about the mental health piece. Longanecker said Monday afternoon's sessions would focus on mental health and Tuesday's sessions would address broad healthcare workforce development issues. He said four nationally recognized mental health policy individuals would be speaking on Monday. Commissioner Hamlett said mental healthcare is an urgent issue in New Mexico and he believes this session will be well attended.

Discussion Item

Draft Workplan for 2002-03

David Longanecker said the workplan distributed for the conference call is a draft plan and he would appreciate the Executive Committee's comments. He said the WICHE officers had reviewed this workplan during their retreat in Boulder on Feb. 23. He said at the May meeting, the workplan would gain additional input from the two other commission committees. Ultimate approval by the full commission will be sought during the final Committee of the Whole session on Tuesday.

Longanecker said this workplan is not a radical departure from WICHE's work of last year. He said WICHE has the same five issue areas, but they've been reordered by current priorities as follows: 1) finance; 2) access; 3) innovation and information technology; 4) workforce and society; and 5) accountability. Longanecker briefly described WICHE's current and proposed activities under each of the issue areas. Project descriptions beginning on p. 2 of the workplan include funded activities and activities where funding is being sought. Longanecker said the Doctoral Scholars Program is substantially at risk of closure due to a lack of external funding.

Commissioner Blessing said the workplan looks thorough and challenging, and asked about staff capacity. Longanecker said staff overload is a legitimate concern, particularly if WICHE is successful in obtaining funding on all of the proposed activities. He said staff are busy and he believes the proposed activities are important. Chair Perry said the proposed workplan is comprehensive and will keep WICHE at the forefront of higher education issues. Longanecker asked the committee to consider other areas that should be added to the workplan.

Discussion Item

WICHE's 50TH Anniversary – Setting Our Sights on a New Century

David Longanecker said staff had provided the Executive Committee with a proposed plan to celebrate WICHE's 50th anniversary. Under this plan, the proposed activities would include:

- A year-long celebration of WICHE's accomplishments and the West's higher education milestones, from Nov. 2002 to Nov. 2003.
- State-sponsored events – such as a legislative breakfast, luncheon, or a roundtable discussion - to commemorate the state's participation in the commission. The exact nature and scheduling of the activities will be planned in collaboration with the WICHE commissioners.
- A symposium in conjunction with the Nov. 2002 commission meeting (in Colorado) that will celebrate WICHE's past and advance the debate about several crucial issues facing higher education today and in the future.
- A gala following the symposium to celebrate WICHE's 50 years to honor the commissioners (active and retired), executive directors and staff, current and past, distinguished alumni of our student exchange and intern programs, and other friends of WICHE.

- An anniversary monograph to include the panel discussions and keynote speeches of the anniversary symposium, along with a short WICHE history, published to coincide with the close of the anniversary year in November 2003.

An honorary advisory committee – composed of current and former WICHE commissioners, institutional leaders, policymakers, and alumni of our Student Exchange Program – to work with staff help promote these activities.

Depending on the scope of the project, approximately \$83,000 to \$118,000 will be needed to cover the costs of these activities. These funds would be allocated from the agency's dedicated reserves. In May, the commission will consider an action item containing a proposed scope of activities statement and funding for WICHE's 50th Anniversary.

Chair Perry said if you look at these events as a marketing strategy for WICHE the bottom line isn't expensive. Commissioner Fox said he liked the ideas presented and wanted to encourage the inclusion of current PSEP students. Commissioner Carlson said he believes the state-level activities are the most important. Commissioner Ching said it would be good to outline the goals of this proposal and include future projections about WICHE's service to the states. Commissioner Blessing said she was impressed with the proposal and eager to participate in the activities in Arizona. Commissioner Hamlett agreed and suggested the states could help with tracking PSEP students in their states and make this data available to state policymakers. Commissioner Barrans suggested a list of former commissioners from each state would be helpful in forming advisory groups at the state level. Commissioner Vines suggested a list of former Legislative Advisory Committee members would also be helpful.

Committee Assignments and Legislative Advisory Committee Members

Chair Perry asked staff to remind Executive Committee members that they need to complete their work related to commission committee assignments and Legislative Advisory Committee members.

The meeting adjourned.

ACTION ITEM

Fiscal Year 2003 Salary and Benefit Recommendations

Background

The staff salary and benefit recommendations for FY 2003 appear in the budget tables in this section. The general fund budget for FY 2003 includes funds for the cost of these recommendations. The recommended merit salary increases provide for performance-based salary increases; no across-the-board cost-of-living increases are proposed. The proposed salary schedule beginning July 1, 2002, reflects external salary comparisons of several positions obtained through Mountain States Employer's Council. In addition to the merit salary increases, this action item includes recommendations for equity salary adjustments; relatively small salary adjustments for staff in the lower salary grades, which are directly associated with the salary schedule adjustments; benefit costs related to the salary increases (i.e., retirement plan, life insurance, workers' compensation, unemployment compensation, and Social Security); and costs not related to the salary increases (i.e., estimated increases in health and dental insurance premiums, Social Security, and workers' compensation). Staff members will pay for a significant portion of benefit cost increases, primarily those associated with increases in dependent coverage costs for health insurance, as well as paying for their share of contributions to Social Security.

Action Requested

Approval of the salary and benefit recommendations for FY 2003 as detailed in the two tables associated with this action item.

ACTION ITEM

Cost Summary of the Proposed Salary & Benefit Increases for FY 2003

| A | B | C | D | E | F | G | H |
|---|---------------------|---------------------|---------------|-------------------------------|---|---------------------------|------------------------------|
| Item | # of staff affected | General Fund | Non-Gen Fund | FY 2003 TOTAL COST | Costs Average Increase per FTE | Percent of Total Salaries | Percent of Eligible Salaries |
| 1. Nonexempt Staff - Merit Increases 4.00% (0, 2.5%, 3.5%, 4.5%) | 11 | \$2,712 | \$2,482 | \$5,194 | \$1,161 | 2.00% N | 2.00% N |
| 2. Exempt Staff - Merit Increases 4.00% | 32 | 29,569 | 37,552 | 67,121 | 2,293 | 3.86% E | 4.00% E |
| 3. Equity Salary Adjustments | 2 | 1,000 | 1,200 | 2,200 | 75 | 0.11% T | 0.11% T |
| 4. Salary Scale Adjustments | 21 | 3,993 | 5,905 | 9,898 | 259 | 0.50% T | 0.51% T |
| 5. TOTAL SALARY INCREASES | | 37,274 | 47,139 | 84,413 | 2,208 | 4.22% T | 4.36% T |
| 6. BENEFIT COST INCREASES | | 9,393 | 11,879 | 21,272 | 535 | 1.06% T | 1.10% T |
| 7. TOTAL SALARY & BENEFITS BASE | | 46,667 | 59,018 | 105,685 | 2,744 | 5.29% T | 5.45% T |

N = Nonexempt staff salaries

E = Exempt staff salaries

T = Total staff salaries (exempt and nonexempt staff)

ACTION ITEM

Proposed Salary Schedule for WICHE Beginning July 1, 2002

| Current Salary Schedule, 7/1/2001 - 6/30/2002 | | | | | | Proposed Salary Schedule Beginning July 1, 2002 | | | | | | | | | | | |
|---|--------------------------|-----------|---------|--------------|-------------|---|--------------------------|-----------|---------|--------------|-------------|--------------------------------------|-----------|---------|--------------------------------------|-----------|---------|
| Salary Grade | Minimum | Mid Point | Maximum | Range \$ Amt | Range % Amt | Salary Grade | Minimum | Mid Point | Maximum | Range \$ Amt | Range % Amt | <u>Amount of Increase in Dollars</u> | | | <u>Amount of Increase in Percent</u> | | |
| | | | | | | | | | | | | Minimum | Mid Point | Maximum | Minimum | Mid Point | Maximum |
| NONEXEMPT | | | | | | NONEXEMPT | | | | | | | | | | | |
| 1 | 21,350 | 25,620 | 29,890 | 8,540 | 40.0% | 1 | 22,250 | 26,700 | 31,150 | 8,900 | 40.0% | 900 | 1,080 | 1,260 | 4.2% | 4.2% | 4.2% |
| 2 | 23,920 | 28,704 | 33,488 | 9,568 | 40.0% | 2 | 24,920 | 29,904 | 34,888 | 9,968 | 40.0% | 1,000 | 1,200 | 1,400 | 4.2% | 4.2% | 4.2% |
| 3 | 26,250 | 31,500 | 36,750 | 10,500 | 40.0% | 3 | 27,500 | 33,000 | 38,500 | 11,000 | 40.0% | 1,250 | 1,500 | 1,750 | 4.8% | 4.8% | 4.8% |
| 4 | 28,840 | 34,609 | 40,377 | 11,537 | 40.0% | 4 | 31,500 | 37,801 | 44,101 | 12,601 | 40.0% | 2,660 | 3,192 | 3,724 | 9.2% | 9.2% | 9.2% |
| EXEMPT | | | | | | EXEMPT | | | | | | | | | | | |
| 5 | 33,070 | 40,511 | 47,952 | 14,882 | 45.0% | 5 | 35,080 | 42,973 | 50,866 | 15,786 | 45.0% | 2,010 | 2,462 | 2,914 | 6.1% | 6.1% | 6.1% |
| 6 | 36,500 | 44,713 | 52,925 | 16,425 | 45.0% | 6 | 38,450 | 47,102 | 55,753 | 17,303 | 45.0% | 1,950 | 2,389 | 2,828 | 5.3% | 5.3% | 5.3% |
| 7 | 40,400 | 49,490 | 58,580 | 18,180 | 45.0% | 7 | 42,320 | 51,842 | 61,364 | 19,044 | 45.0% | 1,920 | 2,352 | 2,784 | 4.8% | 4.8% | 4.8% |
| 8 | 44,640 | 54,684 | 64,728 | 20,088 | 45.0% | 8 | 46,430 | 56,877 | 67,324 | 20,894 | 45.0% | 1,790 | 2,193 | 2,596 | 4.0% | 4.0% | 4.0% |
| 9 | 49,510 | 60,650 | 71,790 | 22,280 | 45.0% | 9 | 51,490 | 63,076 | 74,661 | 23,171 | 45.0% | 1,980 | 2,426 | 2,871 | 4.0% | 4.0% | 4.0% |
| 10 | 55,770 | 68,040 | 80,309 | 24,539 | 44.0% | 10 | 58,000 | 70,760 | 83,520 | 25,520 | 44.0% | 2,230 | 2,721 | 3,211 | 4.0% | 4.0% | 4.0% |
| 11 | 64,550 | 78,106 | 91,661 | 27,111 | 42.0% | 11 | 67,130 | 81,228 | 95,325 | 28,195 | 42.0% | 2,580 | 3,122 | 3,664 | 4.0% | 4.0% | 4.0% |
| 12 | 73,270 | 87,924 | 102,578 | 29,308 | 40.0% | 12 | 76,200 | 91,440 | 106,680 | 30,480 | 40.0% | 2,930 | 3,516 | 4,102 | 4.0% | 4.0% | 4.0% |
| 13 | Discretion of Commission | | | | | 13 | Discretion of Commission | | | | | | | | | | |

ACTION ITEM

Fiscal Year 2003 Budget

Background

The first table provides current estimates of WICHE's general fund income and expenditures for fiscal year 2002 (column C), compared to the general fund budget (column B). The estimates include actual income and expenditures through March 31, 2002, with estimates for the final three months of FY 2002.

Income will be lower than anticipated because of the dramatic decrease in interest rates (footnote b) and a slower than anticipated rate of expenditure with several externally funded projects, which results in lower indirect cost recoveries. A surplus of slightly more than \$24,000 (column C, line 21) is anticipated in the general fund budget, which is somewhat less than the budgeted surplus of \$40,000 (column B, line 21), primarily as a result of needing to cover the Doctoral Scholars shortfall of \$29,483 (column C, line 19).

This table also contains the proposed general fund budget for FY 2003 (column F), reflecting the third consecutive year WICHE has had a balanced general fund budget. Estimated income is \$2,029,000 (line 7), reflecting an increase of \$48,000 over the FY 2002 budget, primarily due to the increase in state dues (approved in June of 2000) and higher indirect cost recovery as a result of additional external funding. Proposed expenditures are \$2,022,979 (line 20), representing an increase of \$82,804 (4.3 percent). The two pie charts depict the FY 2003 budget for income and expenditures. The budget includes the general fund portion of the WICHE operation, as outlined in the FY 2003 workplan found in this agenda book. The budget also provides for the general fund staff salary and benefit increases for FY 2003 of \$46,667 (column F, line 16). For details pertaining to the proposed salary and benefit increases, refer to the separate action item in this agenda book.

The last financial table provides a summary of total WICHE expenditures for FY 2001, FY 2002, and FY 2003.

In summary, the general fund budget proposed for FY 2003 is the staff recommendation for a WICHE program that provides service to member states as well as a wide range of highly significant projects. General fund income not only provides the funds for basic WICHE program activities such as the Student Exchange Program and the Policy Analysis & Research unit, but it also provides an organizational structure that allows WICHE to become involved in other regional resource-sharing activities in higher education, many of which are supported by nonstate dollars. The proposed general fund budget will support overall net operating expenses of approximately \$7.5 million in FY 2003.

Action Requested

Approval of the FY 2003 general fund budget as summarized on the first table.

ACTION ITEM

General Fund Budget Estimate for FY 2002 and Proposed Budget for FY 2003 Income and Expenditures

\$99,000 --- Full Member Dues --- \$103,000
\$99,000 --- Affil. Member Dues --- \$103,000

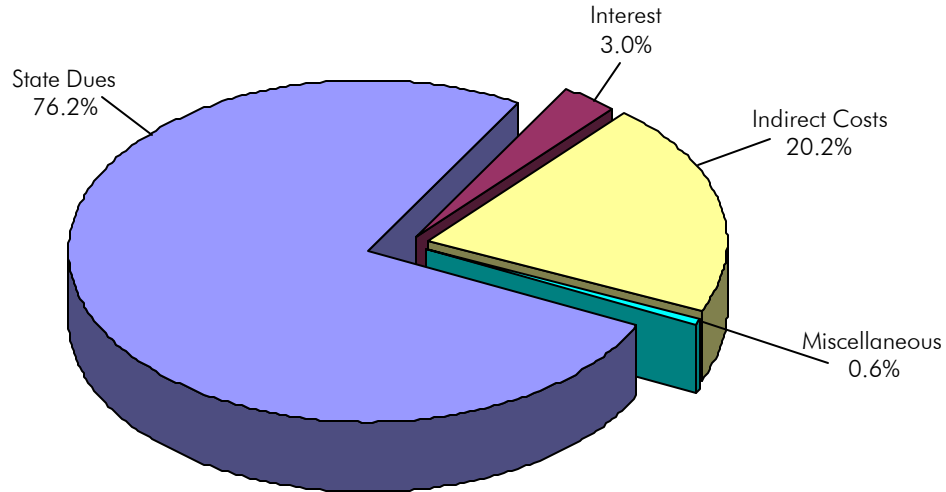
| A | B C D E | | | | F G H I J | | | | | |
|--|---|---------------------|---|-----------------|---------------------------------|--|------------------|--|------------------|------------------|
| | FY 2002 | | | | FY 2003 | | | | | |
| | FY 2002 Budget (a) | FY 2002 Estimate | Estimate Better or (Worse) than Budget | | "Proposed" FY 2003 Budget | Comparing FY 2003 to FY 2002 Better or (Worse) than FY 2002 Budget | | Better or (Worse) than FY 2002 Estimate | | |
| | | \$ | % | | \$ | % | \$ | % | | |
| 1 Income: | | | | | | | | | | |
| 2 | Member dues | 1,485,000 | 1,485,000 | 0 | 0.0% | 1,545,000 | 60,000 | 4.0% | 60,000 | 4.0% |
| 3 | Interest | (b) 144,000 | 90,000 | (54,000) | -37.5% | (b) 61,000 | (83,000) | -57.6% | (29,000) | -32.2% |
| 4 | Indirect cost recovery | 340,000 | 321,000 | (19,000) | -5.6% | 410,000 | 70,000 | 20.6% | 89,000 | 27.7% |
| 5 | Miscellaneous Income | 12,000 | 13,000 | 1,000 | 8.3% | 13,000 | 1,000 | 8.3% | 0 | 0.0% |
| 6 | Total Income | 1,981,000 | 1,909,000 | (72,000) | -3.6% | 2,029,000 | 48,000 | 2.4% | 120,000 | 6.3% |
| 7 Expenditures: | | | | | | | | | | |
| 8 | SEP - Programs | 296,476 | 286,026 | 10,450 | 3.5% | 301,664 | (5,188) | -1.7% | (15,638) | -5.5% |
| 9 | Policy Analysis & Research | 277,642 | 249,402 | 28,240 | 10.2% | 277,316 | 326 | 0.1% | (27,914) | -11.2% |
| 10 | Communications & Public Affairs | 275,913 | 263,079 | 12,834 | 4.7% | 281,351 | (5,438) | -2.0% | (18,272) | -6.9% |
| 11 | Commission Meeting Expense | 100,235 | 91,750 | 8,485 | 8.5% | 106,945 | (6,710) | -6.7% | (15,195) | -16.6% |
| 12 | Executive Director's Office | 341,797 | 339,217 | 2,580 | 0.8% | 349,438 | (7,641) | -2.2% | (10,221) | -3.0% |
| 13 | Administrative Services | (c) 467,819 | 460,411 | 7,408 | 1.6% | (c) 489,049 | (21,230) | -4.5% | (28,638) | -6.2% |
| 14 | Miscellaneous Expenses | (d) 74,203 | 74,110 | 93 | 0.1% | (d) 82,669 | (8,466) | -11.4% | (8,559) | -11.5% |
| 15 | Indirect Cost Sharing Expenses | (e) 99,000 | 71,200 | 27,800 | 28.1% | (e) 81,000 | 18,000 | 18.2% | (9,800) | -13.8% |
| 16 | Staff Salary & Benefit Cost Increases for FY 2003 | (f) | | | | (f) 46,667 | na | na | na | na |
| 17 | Staff Turnover/Vacancy Estimate (1.5% of Salaries & Bnfts.) | (12,910) | 0 | 0 | 0.0% | (13,120) | 210 | -1.6% | na | na |
| 18 | Program Development Fund | 20,000 | 20,000 | 0 | 0.0% | 20,000 | 0 | 0.0% | 0 | 0.0% |
| 19 | Doctoral Scholars shortfall (proposed) | 0 | 29,483 | (29,483) | na | 0 | 0 | na | 29,483 | 100.0% |
| 20 | Total Expenditures | 1,940,175 | 1,884,678 | 55,497 | 2.9% | 2,022,979 | (82,804) | -4.3% | (138,301) | -7.3% |
| 21 | Surplus (Deficit) for the Fiscal Year | 40,825 | 24,322 | 6,021 | 6,021 | 6,021 | 6,021 | 6,021 | 6,021 | 6,021 |
| 22 | Better or (Worse) than Budget or Estimate | | | (16,503) | -0.9% | (34,804) | na | na | (18,301) | -75.2% |
| 23 Reserves: | | | | | | | | | | |
| 24 Beginning of the Fiscal Year: | | | | | | | | | | |
| 25 | Minimum Reserve | (g) 232,821 | 232,821 | 0 | 0.0% | (g) 242,757 | 37,317 | 18.2% | 37,317 | 18.2% |
| 26 | Reserves Available for Dedication | 278,087 | 278,087 | 0 | 0.0% | 208,802 | (96,666) | -31.6% | (96,666) | -31.6% |
| 27 | Total Reserves - Beginning of the Fiscal Year: | 510,908 | 510,908 | 0 | 0.0% | 451,559 | (59,349) | -11.6% | (59,349) | -11.6% |
| 28 Dedications to the Reserve During the Fiscal Year: | | | | | | | | | | |
| 29 | Surplus (Deficit) during Fiscal Year (Line 20 - above) | 40,825 | 24,322 | (16,503) | -40.4% | 6,021 | (34,804) | -85.3% | (18,301) | -75.2% |
| 30 | Consultant - Association Mgmt. Software | (h) (1,000) | (6,100) | (5,100) | 510.0% | (h) 0 | 1,000 | -100.0% | 6,100 | -100.0% |
| 31 | Records Retention or Assoc. Mgmt. Software | (h) (50,000) | 0 | 50,000 | -100.0% | (h) (50,000) | 0 | 0.0% | (50,000) | na |
| 32 | Office Move | (h) (36,599) | (36,158) | 441 | -1.2% | (h) (30,000) | 6,599 | -18.0% | 6,158 | -17.0% |
| 33 | Office Furniture & Equipment | (h) (41,651) | (41,413) | 238 | -0.6% | (h) (30,000) | 11,651 | -28.0% | 11,413 | -27.6% |
| 34 | 50th Anniversary Celebration for WICHE (proposed) | (100,000) | (100,000) | na | na | (100,000) | (100,000) | na | (100,000) | na |
| 35 | Net Reserve Dedications During the Fiscal Year | (88,425) | (59,349) | 29,076 | -32.9% | (203,979) | (115,554) | -41.4% | (144,630) | -45.2% |
| 36 End of the Fiscal Year: | | | | | | | | | | |
| 37 | Minimum Reserve | (g) 205,440 | 205,440 | 0 | 0.0% | (g) 242,757 | 37,317 | 18.2% | 37,317 | 18.2% |
| 38 | Reserves Available for Dedication | 217,043 | 246,119 | 29,076 | 13.4% | 4,823 | (212,220) | -97.8% | (241,296) | -98.0% |
| 39 | Total Reserves - End of the Fiscal Year: | 422,483 | 451,559 | 29,076 | 6.9% | 247,580 | (174,903) | -41.4% | (203,979) | -45.2% |
| 40 | Change in Total Reserves - Increase or (Decrease) | (88,425) | (59,349) | 29,076 | 6.9% | (203,979) | (203,979) | (203,979) | (203,979) | (203,979) |
| 41 | Better or (Worse) than Budget or Estimate | | | 29,076 | 6.9% | (115,554) | -130.7% | (144,630) | (243,730) | -243.7% |

- (a) Budget approved by the commission in May of 2001, adjusted for actual carry over from FY 2001 and adjusted for actual salary increases by unit.
- (b) Budget for FY 2002: Average daily balance of \$3,976,000 at 3.63%. Estimate for FY2002: Ave. daily balance of \$3,983,000 at 2.26%.
Budget for FY 2003: Average daily balance of \$3,710,000 at 1.65%. For FY 2003, the projected PSEP funds are 75% of those during FY 2002.
- (c) Includes the following functions for all units and projects within WICHE: Accounting, payroll, auditing, financial management, facilities management, purchasing, H.R., and mailing serv
- (d) Includes property & liability insurance, legal fees, unallocated rent, and other miscellaneous costs not allocated to unit budgets.
- (e) Approved by the Commission at the Nov. 2001 meeting in Broomfield, CO.
- (f) Proposed salary and benefit cost increases for FY 2003.
- (g) The minimum reserve level authorized by the Commission (12% of budgeted expenditures, per May 2000 Commission Meeting).
- (h) Approved by the Commission at the Nov. 2000 meeting in Seattle, WA. For line 30, a total of \$15,000; for line 31, a total of \$50,000; for line 32, a total of \$50,000, and for line 33, a total of \$80,000. During FY 2003, starting a reserve fund for the next office move and for office furniture in the Fall of 2004, each at \$30,000.

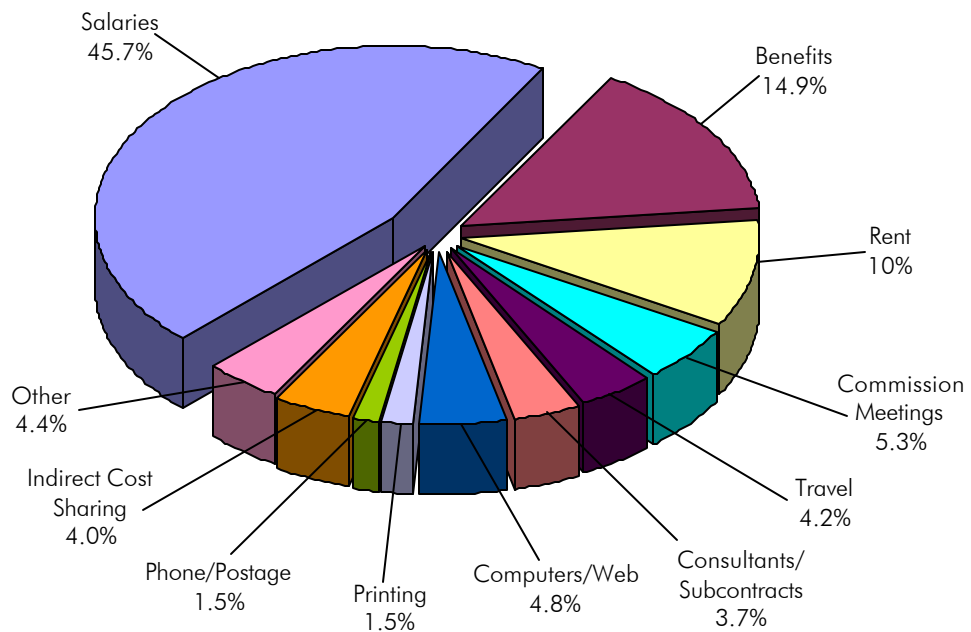
ACTION ITEM

General Fund Budget Estimate for FY 2002 and Proposed Budget for FY 2003 Income and Expenditures

Income



Expenditures



ACTION ITEM

Total WICHE Expenditures by Fiscal Year (rounded to nearest \$1,000)

| Primary Account Names | Actual FY 2001 | Estimate FY 2002 | Estimate FY 2003 |
|--|-------------------|---------------------|---------------------|
| 1 General Fund | \$1,559,000 | \$1,885,000 | \$2,023,000 |
| 2 WICHE Reserves | 66,000 | 84,000 | 210,000 |
| 3 WCET | 1,260,000 | 1,846,000 | 2,090,000 |
| 4 Mental Health | 433,000 | 420,000 | 450,000 |
| 5 CONAHEC/ELNET | 111,000 | 616,000 | 360,000 |
| 6 NWAFF | 52,000 | 25,000 | 35,000 |
| 7 Advanced Placement (AP) | 331,000 | 351,000 | 1,400,000 |
| 8 AT Alliance | 4,000 | 14,000 | 15,000 |
| 9 Ford - Legislative Policy | 81,000 | 121,000 | 0 |
| 10 Ford - Legislative Engagement | 47,000 | 58,000 | 0 |
| 11 Ford - Expanding Engagement | 0 | 12,000 | 161,000 |
| 12 Lumina - Changing Direction | 0 | 47,000 | 325,000 |
| 13 Doctoral Scholars | 113,000 | 84,000 | 0 |
| 14 Bridges to the Professoriate | 123,000 | 125,000 | 155,000 |
| 15 Pathways to College Network | 11,000 | 100,000 | 105,000 |
| 16 CHEA - Accreditation Process | 7,000 | 1,000 | 0 |
| 17 High School Graduates | 1,000 | 1,000 | 200,000 |
| 18 US/UK Education Dialogue | 0 | 39,000 | 6,000 |
| 19 | | | |
| 20 Subtotal - Primary Accounts (Lines 1 thru 19) | 4,199,000 | 5,829,000 | 7,535,000 |
| 21 Self-Supporting Services: | | | |
| 22 Network Services | 147,000 | 192,000 | 210,000 |
| 23 Printing Services | 77,000 | 10,000 | 16,000 |
| 24 Telephone Services | 21,000 | 34,000 | 37,000 |
| 25 Facilities Services | 180,000 | 363,000 | 382,000 |
| 26 Subtotal - Self-Supporting Srvcs. | 425,000 | 599,000 | 645,000 |
| 27 Subtotal Primary + Self-Supportg. (Lines 20 + 26) | 4,624,000 | 6,428,000 | 8,180,000 |
| 28 PSEP Support Fees | 11,190,000 | 11,470,000 | 10,000,000 |
| 29 TOTAL - ALL SOURCES | 15,814,000 | 17,898,000 | 18,180,000 |

ACTION ITEM

Establishing Dues for the FY 2004-2005 Biennium

The commission establishes dues in May every other year for the coming biennium. Action on the dues for the FY 2004 and FY 2005 years is needed at this meeting. The reason the dues are set for two years is because a number of states operate on biennial budgets. In those states, once the budget item is set for the two years, it is difficult to change it in the second year. The establishment of dues in May is necessary because states begin preparing budgets for the following year or biennium in late summer or early fall.

Dues for FY 2003 have already been established at \$103,000 per member state.

The staff recommendation is to increase the dues by \$4,000 in both FY 2004 and FY 2005. The dues would be as follows:

| | Members | % Increase |
|------------------|-----------|------------|
| FY 2003 Approved | \$103,000 | |
| FY 2004 | \$107,000 | 3.88% |
| FY 2005 | \$111,000 | 3.74% |

Why is a dues increase needed?

The total revenue provided by the dues increases would be \$60,000 in both FY 2004 and FY 2005. There would be no great change or expansion in programming as a result of this increase. It is needed for the increased cost of doing business. Salaries will increase in order to keep quality staff. Health insurance costs will continue to escalate very significantly. Rent will increase because of rate escalations in the lease agreement.

The state dues provide the core support for WICHE. These funds are used for basic WICHE program activities, such as the Student Exchange Program and Policy Analysis & Research, but they also are used to provide an organizational structure that allows WICHE to become involved, as determined by the commission, in numerous activities in regional resource sharing.

The commission, in a separate agenda item at this meeting, will be taking action on the FY 2003 budget (details can be found elsewhere in this agenda book). Staff believes this budget reflects the priorities that have been established by the commission in ongoing discussions over the last several years. As evidenced by the total budget, many of these projects are funded in part by sources other than the state dues. State dues represent only 21 percent of WICHE's total revenue for FY 2003.

Dues for the other regional higher education organizations

With the proposed increases for FY 2004 and FY 2005, the WICHE dues would remain below the dues for SREB (Southern Regional Education Board) and NEBHE (New England Board of Higher Education). One of the following tables provides a comparison of dues for the three organizations since FY 1997-1998. MHEC (Midwestern Higher Education Commission), the newest regional higher education organization, began operating in FY 1991.

Action Requested

Approval of the following WICHE dues schedule for each member state:

| | |
|---------|-----------|
| FY 2004 | \$107,000 |
| FY 2005 | \$111,000 |

ACTION ITEM

WICHE STATE DUES – History and Proposal for FY 2004 & 2005

| Fiscal Year | Member States | | | Affiliate States ^a | | | Affiliate Dues as a % of Mbr. Dues | TOTAL FY DUES (All States) | | |
|--|---------------|----------|---------|-------------------------------|----------|---------|------------------------------------|----------------------------|----------|--------|
| | Dues Amount | Increase | | Dues Amount | Increase | | | Sum of All Dues | Increase | |
| | | Amount | Percent | | Amount | Percent | | Amount | Percent | |
| <i>Proposal for Approval at May 2002 Commission Meeting</i> | | | | | | | | | | |
| 2004 - 2005 | \$111,000 | | | \$111,000 | | | 100% | \$1,665,000 | | |
| | | \$4,000 | 3.74% | | \$4,000 | 3.74% | | | \$60,000 | 3.74% |
| 2003 - 2004 | 107,000 | | | 107,000 | | | 100% | 1,605,000 | | |
| | | 4,000 | 3.88% | | 4,000 | 3.88% | | | 60,000 | 3.88% |
| 2002 - 2003 | 103,000 | | | 103,000 | | | 100% | 1,545,000 | | |
| | | 4,000 | 4.04% | | 4,000 | 4.04% | | | 60,000 | 4.04% |
| 2001 - 2002 | 99,000 | | | 99,000 ^b | | | 100% | 1,485,000 | | |
| | | 11,000 | 12.50% | | 15,000 | 17.86% | | | 173,000 | 13.19% |
| 2000 - 2001 | 88,000 | | | 84,000 ^b | | | 95% | 1,312,000 | | |
| | | 3,000 | 3.53% | | 7,000 | 9.09% | | | 53,000 | 4.21% |
| 1999 - 2000 | 85,000 | | | 77,000 ^b | | | 91% | 1,259,000 | | |
| | | 2,000 | 2.41% | | 6,000 | 8.45% | | | 38,000 | 3.11% |
| 1998 - 1999 | 83,000 | | | 71,000 ^b | | | 86% | 1,221,000 | | |
| | | 2,000 | 2.47% | | 6,000 | 9.23% | | | 38,000 | 3.21% |
| 1997 - 1998 | 81,000 | | | 65,000 | | | 80% | 1,183,000 | | |
| | | 2,000 | 2.53% | | 2,000 | 3.17% | | | 30,000 | 2.60% |
| 1996 - 1997 | 79,000 | | | 63,000 | | | 80% | 1,153,000 | | |

a North Dakota and South Dakota.

b In June of 1998, Commission approved equalizing the dues for affiliates over a 4 year period beginning in FY 1998 - 1999 (increase an extra \$4,000 each FY). The final phase of this equalization process occurred during FY 2001-2002.

ACTION ITEM

Fiscal Year State Dues

Similar Regional Higher Education Organizations

| <u>Fiscal Year</u> | <u>WICHE</u> (per state) | <u>SREB</u> (per state) | <u>NEBHE</u> (avg. per state) | <u>MHEC</u> (per state) |
|----------------------------|-----------------------------|----------------------------|----------------------------------|----------------------------|
| 2004 - 2005 | \$ 111,000 ^a | Undecided | \$ 234,667 | Undecided |
| 2003 - 2004 | 107,000 ^a | 166,120 | 247,000 | Undecided |
| 2002 - 2003 | \$ 103,000 | \$ 160,500 | \$ 260,000 | \$ 82,500 |
| 2001 - 2002 | 99,000 | 157,350 | 266,853 | 82,500 |
| 2000 - 2001 | \$ 88,000 | \$ 154,990 | \$ 266,853 | \$ 75,000 |
| 1999 - 2000 | 85,000 | 151,950 | 257,025 | 75,000 |
| 1998 - 1999 | \$ 83,000 | \$ 149,700 | \$ 247,139 | \$ 58,000 |
| 1997 - 1998 | 81,000 | 146,800 | 237,634 | 58,000 |
| Current # of member states | 15 ^b | 16 ^c | 6 ^d | 10 ^e |

a Proposed.

b Includes the member states of Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, N. Dakota, Oregon, Utah, S. Dakota, Washington, and Wyoming.

c The Southern Regional Education Board (SREB) includes the following member states:
Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Texas, Tennessee, Virginia, and West Virginia.

d The New England Board of Higher Education (NEBHE) includes the following member states:
Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.

e The Midwestern Higher Education Commission (MHEC) includes the following member states:
Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, and Wisconsin

Discussion Item

Minimum Reserve Level

Background and Summary

During the February conference call meeting of the Executive Committee, it was suggested that the commission revisit WICHE's level of reserves and its reserve policy. The action item approved at the May 2000 commission meeting is included with this discussion item. The executive director reviewed this policy and continues to believe that it serves the agency well because:

- It provides a mandated minimum reserve, which can only be used to cover exceptional unanticipated losses, and then only when so designated by the commission.
- It further creates the capacity for dedicated reserves to cover the costs of one-time commission-approved expenditures.
- The 12 percent minimum threshold replaced a fixed \$200,000 minimum reserve level. The fixed-level reserve had serious limitations because it did not increase over time along with organization's increasing budget and equally increasing margin for risk.
- The 12 percent minimum reserve provides sufficient reserves to cover mandatory expenses in the event of a catastrophic revenue loss or increase in expenditures.

Rainy Day Reserve

The Executive Committee's discussion in February, raised the question about whether WICHE should also sustain a "rainy day" fund to allow the organization to weather ebbs and flows in revenues, much like states do, without having to reduce the operating budget in lean years. To some extent, this was how the organization was budgeted in the late 1990s, and a return to this method of deficit financing would not seem advisable at this time. In addition to the problem WICHE faced then by having a built-in structural deficit, intentionally designating a rainy day fund might invite the "rainy day." It would be easier for those who fund WICHE, in one way or another, to fall into arrears if WICHE had the capacity to absorb transgressions without immediate and harmful financial implications. States need rainy day funds because they lack control over some of their expenditures and revenues. It would be prudent for WICHE to budget and fund for all but exceptional expenditures and revenues.

For all of these reasons, staff recommend the current reserve level remain at 12 percent of the organization's operating expenditures. It is also recognized that there is room for debate and differences of opinion on this issue.

Reserve Level and Policy Approved by the Commission in May 2000

Background

WICHE's reserve should be adequate to cover any realistic budget shortfall. The dilemma, then, comes in defining what a realistic amount is to cover possible budget shortfall and what qualifies as a budget shortfall. Currently, the bylaws call for the reserve never to fall below \$200,000. This creates a potential problem for the agency, however, because as the agency's general fund budget increases over time, the mandated minimum provides less and less protection from any unexpected budget shortfall.

When adopted in 1982, the \$200,000 reserve represented 20 percent of WICHE's then \$1,000,000 general fund budget. Today, the \$200,000 mandated reserve represents about 10 percent of the WICHE's annual operating budget. While this level of reserve appears adequate to guard against unanticipated budget shortfalls, it would not be sufficient in the future if it remains fixed at \$200,000 and WICHE's budget (and obligations) increase.

Therefore, staff recommended and the Executive Committee acted to recommend to the full commission that WICHE's reserve be established at 12 percent of WICHE's general fund expenditure budget.

Simply establishing a mandated minimum reserve level, however, does not a reserve policy make. It is also important to establish two other reserve policy parameters. First, what constitutes an unanticipated loss that would justify erosion of reserves below the minimum reserve requirement? Second, for what purposes can reserves in excess of the minimum be used? The Executive Committee discussed each of these issues, and recommends that the following guidelines be adopted by the full commission with respect to each of these issues. First, only exceptional unanticipated catastrophic losses to WICHE, as so designated by the commission, should be considered costs for which reserves below the minimum reserve requirement could be used. Second, reserves in excess of the minimum could be used only for one-time commission-approved expenditures that would substantially enhance the organization. Ongoing operational costs should not be budgeted against reserves, as they often have been in the past, because this tends to create a structural budget deficit, which can harm WICHE in future years.

Action Approved

COMMISSIONERS SWANSON (STONINGTON)/DUBOIS (M/S) APPROVAL OF WICHE'S RESERVE POLICY AS FOLLOWS:

1. WICHE WILL MAINTAIN A RESERVE OF AT LEAST 12 PERCENT OF THE APPROVED GENERAL FUND EXPENDITURES BUDGET.
2. RESERVES BELOW THE 12 PERCENT MINIMUM THRESHOLD CAN BE EXPENDED ONLY FOR EXCEPTIONAL UNANTICIPATED LOSSES, SO DESIGNATED BY THE COMMISSION.
3. RESERVES IN EXCESS OF THE 12 PERCENT MINIMUM THRESHOLD CAN BE EXPENDED ONLY FOR ONE-TIME COMMISSION-APPROVED EXPENDITURES THAT WILL SUBSTANTIALLY ENHANCE THE ORGANIZATION.

The motion passed with two no votes (WA and NV).